

Nation's Business

A USEFUL LOOK AHEAD

OCTOBER 1957



**WAGE-
PRICE
INFLATION
FORCES
THESE
CHANGES**

SEE PAGE 34

Ike's new policy: shrink big government PAGE 29

Business looks at Walter Reuther PAGE 32

Teach yourself management skills PAGE 76

How taxes will be cut PAGE 60



Ruud Water Heaters are widely used in homes to serve automatic dishwashers and clothes washers, in schools and restaurants to meet sanitary code requirements for extra-hot wash and rinse water in dishwashers, and in industry for controlled-temperature applications.

Hotter water for cleaner dishes from Cupro Nickel tanks



Automatic welder joining edges of a formed Cupro Nickel cylinder to produce shell of a Ruud water-heater tank.

THE PROBLEM: To do a superior job of cleaning clothes or washing dishes, water should be *really* hot. For such service, it must be heated and stored well above the usual 140-150 degrees F—and this is tough on ordinary water heater tanks.

The problem faced by Ruud Manufacturing Co., which specializes in high-temperature gas water heaters, was to find a metal readily available at reasonable cost which is highly resistant to

attack by many types of corrosive water—at temperatures of 160-180 degrees F. It also had to work out well on the production line.

THE SOLUTION: Ruud talked things over with Anaconda metallurgical specialists. Borrowing from experience in meeting corrosion problems in industrial condensers and heat exchangers, the Anaconda men suggested that Ruud use Cupro Nickel-755. This Anaconda copper alloy, containing 10% nickel, combines exceptional workability and weldability with the strength and resistance to corrosion needed for high-temperature water heater use. Ruud tried it, and

is now forming its tanks of Cupro Nickel-755.

THE FUTURE: As the tasks imposed on metals by our ever-changing technology become more numerous and complex, Anaconda and its manufacturing companies—The American Brass Company and Anaconda Wire & Cable Company—constantly seek better ways of doing things with nonferrous metals and products. Whether your problem concerns corrosion, heat exchange, conducting electricity, or better ways of fabricating with metal, see the Man from Anaconda. The Anaconda Company, 25 Broadway, New York 4, N. Y.

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Manufacturer's representative finds
it pays to keep in touch with
out-of-town customers by telephone



"My customers are always as near as my telephone," says Mr. Ashcraft

"If I hadn't telephoned..."

Recently J. P. Ashcraft, a manufacturer's representative in Dallas, telephoned an out-of-town customer and got an order for \$3875 worth of equipment.

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telephoning all my out-of-town customers. I've found it's a good thing to do."

* * *

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For example:	First 3 Minutes	Each Added Minute
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Baltimore to Atlanta	\$1 ³⁵	35¢

Add 10% Federal Excise Tax

BELL TELEPHONE SYSTEM

Call by Number. It's Twice as Fast.



Nation's Business

October 1957 Vol. 45 No. 10

Published by the Chamber of Commerce of the United States
Washington, D.C.

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It can take these two steps in field of higher education and help colleges and students as well as our manpower needs

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[ANOTHER MUZAK CASE HISTORY]

How easing of worker tension with music upped production 5%, cut absenteeism 5%

in the offices of
NATIONAL GYPSUM COMPANY, Buffalo, N. Y.—home of



ALWAYS FORWARD-LOOKING. The National Gypsum Company was the first large office in Western New York to install MUZAK and the first office anywhere to use the principle of the speaker hidden behind an acoustical panel.



R. R. HARLEY, Office Manager of The National Gypsum Company home office in Buffalo.

MANAGEMENT SKILL of a high degree has gone into making GOLD BOND a famous name in building products. This skill has also been applied in the home office of the manufacturer, The National Gypsum Company.

For more than ten years, National Gypsum offices in Buffalo have been served with MUZAK—the world's only pure background music service scientifically planned to promote efficiency and reduce costly worker tension.

Office-Manager R. R. Harley reports: "Our best estimate is that absenteeism was reduced at least 5% and production was increased at least 5%. We consider MUZAK a definite part of the modern office. It goes naturally with fluorescent lighting, acoustical sound control, soft colors, ultraviolet lamps, and good layout."

Other MUZAK "Success Stories"

This MUZAK "success story" has been repeated many times over. A work

clothes manufacturer in Denver made a comparison of piece-work production during a four-month period before they had MUZAK, and a comparable four-month period after MUZAK, and noted a 10% increase in output per operator.

A Tennessee lime and cement company tested MUZAK in its drafting room and reported a productivity increase worth \$300 to \$400 a month. A power company found that the key-punch production of its IBM machine operators reached an 11-year high after MUZAK was installed, while errors took a sharp turn downward. And these are typical of the results reported by many of the upwards of 20,000 companies which subscribe to MUZAK.

Why MUZAK Is So Different From Ordinary "WORK MUSIC"

How can "just music" accomplish results like these? The answer is simple. It *can't!* For MUZAK is not "just music." It has spent twenty years perfecting a scientific way to meet the minimum requirements for a successful work-music program:

YOU NEED A SPECIAL KIND OF MUSIC which is "heard but not listened to"—which stimulates people without distracting them. MUZAK has its own exclusive \$10,000,000 treasury of custom created non-distracting background music.

YOU NEED SCIENTIFIC PROGRAMMING to suit the time of day, place and type of work activity. Each MUZAK program is based on 20 years' study of the effects of music on people.

YOU NEED "CONTROLLED DYNAMICS" to penetrate noise barriers, mask out unwanted noise, without becoming distractingly loud—a technique which MUZAK has pioneered.

YOU NEED A COMPLETELY AUTOMATIC SYSTEM which avoids the cost of assigning personnel to purchase and store records or tapes, determine schedules, operate and maintain equipment. A flick of the switch starts MUZAK.

These four major MUZAK "exclusives" tell you why ordinary "background music" just cannot accomplish what MUZAK's scientifically planned service can do for you.

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"An Answer to Worker Tension"

Worker Tension is an enemy of production that costs American business billions of dollars every year.

To answer your questions about it, MUZAK has prepared an informative bulletin. It shows how and why correctly planned work music can reduce errors and increase the work flow. It tells what psychologists have learned about the scientific requirements of work music—and how MUZAK meets these requirements. For a free copy, simply mail coupon below.



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OFFICES find MUZAK cuts down errors, fatigue and mistakes by personnel. . . lessens day-dreaming, bickering, restlessness.

FACTORIES AND PLANTS report that MUZAK reduces turnover and absenteeism, lessens boredom and idle conversation.

BANKS find that MUZAK benefits both customers and employees. Provides inviting atmosphere—reduces



MUZAK and TRAVEL MUZAK Reg. U. S. Pat. Off.

HOTELS AND RESTAURANTS say a dining room never seems "empty"—and waiting periods never seem long—with MUZAK in the air.

STORES AND SHOPS report that MUZAK makes sales clerks friendlier; promotes impulse buying; encourages customers to linger longer, buy more.

(MUZAK is transmitted automatically from MUZAK studios in principal cities. Spot installations available for remote locations and TRAVEL MUZAK for trains, planes, ships and buses. If you are interested in a MUZAK franchise, please write for further information.)

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Name Position
Company
Type of Business No. of employees
Street
City & Zone State



"DON'T DRINK THAT!"

It's poison!

Polluted water not only endangers your life... it costs you money as well. Local pollution compels many communities to travel too far for drinkable water... and taxes climb. If industry, our second greatest user, must purify water *before* using it, production costs soar. You pay more for goods.

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management's WASHINGTON LETTER

►THERE'S GOOD BUSINESS AHEAD.

That's Washington view of outlook for months to come--at least through mid-1958.

High government economist says:

Outlook now is surprisingly good.

What happens after mid-1958 depends on how much momentum economy gains in winter months.

He explains:

Economy is entering close-tolerance phase.

By close tolerance he means:

Business growth, economic expansion is not as yeasty as two years ago.

There's less margin to absorb downward movements.

Two years ago--during '55 boom peak--downward movement of few percentage points would have meant only slowing up of growth rate.

Rate of expansion was high enough so that growth still would have been satisfactory.

Now economy is operating on high, level plateau.

Same percentage downturn could mean shrinking of national output.

But that's not expected.

Future looks good through midyear--and beyond.

Growth prospects outweigh dip possibilities over long run.

►WHAT ACTION WOULD GOVERNMENT take if business dip should come?

Most likely action:

Administration would seek tax cut to build up consumption.

Feeling's strong inside Administration that tax reduction would serve best as economic stimulant.

Thinking now is away from stopgap public works projects.

Reason:

Once turned on, they're too hard to turn off.

►WASHINGTON WHEELS keep turning although Congress is in adjournment.

Between now and January when Congress meets again there will be hearings, studies important to business:

Prices--Joint Economic Committee may launch study this month of factors affecting them.

Taxes--Impact of federal taxes on smaller enterprises will be studied

in field hearings across the nation.

Fiscal policy--Economic group, starting in mid-November, will analyze all government spending and its impact on growth and stability of economy.

Changes in federal budgeting procedures could result from this inquiry.

Monetary policy--Senate Finance Committee will resume its hearings on tight money this month or next.

Administered prices--Kefauver subcommittee will revive probe of steel industry pricing.

Other hearings will cover:

Postal rates, government vs. private housing in aviation field, socialized housing, labor racketeering, problems of small family farms.

►PERSONAL INCOME WILL AVERAGE more than \$300 billion this year.

That's what Americans will have to spend--money left after paying personal taxes.

Also includes what they'll save.

Figure's about \$30 billion higher than 1955 boom total.

It'll probably exceed last year's record by about \$14 billion.

Compared to 1950, year's average will be up almost \$100 billion.

How much will Americans spend?

Personal consumption expenditures for year are expected to total about \$280 billion.

Figure was \$267.2 billion last year, \$254.4 billion in 1955.

Total expenditure in 1950 was \$194 billion.

Americans this year will save record sum, too--almost \$21 billion.

Previous high:

Last year, when personal savings amounted to about \$20 billion.

►BUT REMEMBER--INFLATION CLOUD still hangs on horizon.

It worries businessmen as it worries Washington.

Here's measure of inflation, what it does to incomes:

Per capita disposable personal income has risen about \$50 in 12 months.

That's average for all men, women, children in the nation.

Figures are current prices.

But--in terms of constant-value

prices--it's another story.

Per capita income actually dropped \$11 in past 12 months.

►BUILT-IN WAGE INCREASES WILL drive industry's labor costs to new peaks next year. Automatic hikes will affect: Steel, aluminum, electrical equipment, meat packing, trucking, railroad industries.

Workers involved: 3 million.

Auto industry won't be included.

Bureau of Labor Statistics says:

Contract with United Auto Workers will be renegotiated. Automatic hikes don't apply in contract-expiration years.

Here's rundown on deferred hikes in some major industries:

Steel--600,000 workers will get average hourly increases of 9 to 10 cents.

Railroads--Except for 44,000 engineers (who get 3.5 per cent built-in boost) uniform 7 cent rise will apply.

Meat packing--Uniform 7.5 cent per hour boost.

Some built-in increases are programmed 5, even 6 years ahead.

►NEW WAGE REGULATION STUDY will be ready by mid-1958.

It'll show:

Impact of wage regulation (1956 increase from 75 cents an hour to \$1) on productivity in selected manufacturing industries.

These include:

Footwear, men's seamless hosiery, wood containers, work shirts, sawmills, fertilizer plants.

These were chosen for survey because they are so-called high impact industries known to include substantial number of workers making near or less than old minimum wage.

Study will be conducted by Bureau of Labor Statistics, will follow up on previous wage-impact studies.

It will determine:

What effect increase has had on these industries, what they've done to adjust to change.

Note: Congress has proposals, will decide next year whether to extend wage regulation to retail, service employees.

►KEEP PRODUCTIVITY IN FOCUS.

Relationship between wages and output

per man-hour will be of growing importance to you in months ahead.

Here's a special NATION'S BUSINESS background report--based on talks with productivity analysts in U. S. Department of Labor, elsewhere.

Has productivity exceeded wages?

Answer's no.

Study shows:

In past 10 years nonfarm workers' real hourly earnings have grown 33 per cent.

In same period output per man hour increased 26 per cent.

What happened to profits?

After-taxes corporation profits for same 10 years increased only 15.4 per cent.

Corporate tax liability went up 95 per cent. Compensation to employees went up 87.4 per cent.

►LOOK AT PROFITS as per cent of sales during 10-year period.

Profits amounted to 5.2 cents per sales dollar 10 years ago.

Now it's 3.5 cents.

Same comparison shows taxes also take larger share.

Ten years ago taxes took 3.2 cents of each sales dollar.

Now taxes take 3.6 cents.

►SIXTY MILLIONTH MOTOR VEHICLE produced in U. S. since 1950 will roll off assembly line next year.

Industry looks for 7.4 to 7.8 new cars, trucks in 1958.

Average number of motor vehicles per 100 families in 1950 was 106.

Next year it's expected to reach 130 per 100 families.

More than a million of the new cars will be station wagons.

This year's wagon output will total about 850,000.

Last year's: 600,000.

Note: Americans will scrap about 4.7 million vehicles in 1958.

Total scrapped since 1950:

More than 37 million, including next year's heap.

►THERE'S NO SAFETY IN BIGNESS alone.

Study of 100 largest manufacturing firms (in terms of assets) shows:

41 companies listed 30 years ago are

no longer among top 100 big companies.

Report, by New York's First National City Bank, also shows:

Most firms which dropped out were in older industries where rates of growth have slowed down.

Displacing them are newer, faster-growing industries.

These include:

Aircraft, electrical and other equipment, petroleum, chemical, distilling.

On the big 100 list are:

22 companies with assets of \$1 billion or more.

12 of these firms have assets of \$2 billion or more.

Standard Oil of New Jersey is high with \$7.9 billion.

The big 100 employ more than 5.6 million persons.

Job investment averages \$17,000 per worker, although figure varies widely.

Item: These companies have more owners than employees--5.6 million workers, 7.3 million shareholders.

►HOUSE COMMITTEE OUTLINES PERILS of U. S. trade with Red nations.

Committee report charges:

Any trade item can be turned into communist weapon, used directly or indirectly against us.

Yet, U. S. trade with Soviet bloc countries is picking up fast.

While still small in total foreign trade picture, this trade could widen and have broad impact.

Poland illustrates:

In 1956 total U. S. exports to Poland were \$3.7 million.

Exports so far this year already exceed \$4.3 million.

Imports--\$27.4 million last year--are expected to reach about \$36 million by close of 1957.

What does pickup mean?

It reflects recent U. S. easing of restrictions on trade with Poles.

But it also suggests larger U. S. demand for East-West trade than has been generally anticipated.

Item: You'll hear more of bloc deals in which U. S. interests barter machinery for finished goods.

At this time such deals aren't expected to constitute serious competitive threat to American producers.

Goods made on U. S. machines would chiefly consist of novelty items not made in this country.

►PRESSURE FOR FEDERAL intervention in college education is growing.

Some of the push is coming from the students themselves.

National Student Association, representing about 1 million U. S. college students, urges:

That the federal government grant "adequately large" scholarships on a state quota basis to individual students on the basis of financial need.

Also recommended:

Extension of federal loans to cooperative student housing associations.

►HERE'S BACKGROUND of college problems to come:

There are about 15 million college age youths now.

Figure will rise to 20 million by 1965, soar to 28 million by 1975.

Meanwhile: Higher percentages of young people are attending college.

For example:

Higher education in 1900 enrolled 2 per cent of college age youths.

Figure now's about 20 per cent.

Other important factors are causing changes in higher education.

For NATION'S BUSINESS report on these factors, see page 102.

►PROGRESS: U. S. industries will spend more than \$7 billion for research this year.

Figure in '55--\$4.7 billion.

It's expected to be more than \$9 billion in 1960....

U. S. airlines will be operating about 270 American-built jet transports by mid-1961....

American youngsters are showing greater interest in mathematics and science.

Government tabulation shows first rise in percentage enrolled in these subjects since 1910....

You'll hear more about high energy fuels.

Olin Mathieson Chemical Corp. says product will become billion dollar industry in coming 10 years.

Fuels boost aircraft, missile range.



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just as fine
an impression

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away



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THE CASE FOR FEDERAL RECLAMATION

REGRETTABLY the article, "The Case Against Federal Reclamation," in your September issue has been interpreted by some people in the western states to be an expression of the conclusions of the U. S. Chamber of Commerce.

The article clearly states it to be a condensed version of the nine-part study made by the Legislative Reference Service of the Library of Congress, the reclamation phase being only one of the areas covered.

Whereas you are to be commended for the good efforts you have been making to retard the alarming socialistic trends in government that have been snowballing the past 25 years, yet I know you abhor any statements that are not based on facts, or which create false impressions by prejudiced and incomplete statements.

The article is not based on complete facts, and has created a false and misleading impression of the U. S. Bureau of Reclamation that will do future harm to the citizens and commerce of our nation.

The article implies a blanket condemnation to all reclamation projects. A future article should mention the many projects that have created new wealth, commerce and national security, and prepayment to taxpayers far ahead of estimates.

The article further implies that agricultural surpluses are aggravated by providing irrigation projects. The exact opposite is true in the fact that those areas already irrigated, or semiarid areas that are supplied with irrigation are thus stabilized, and farmers can then risk shifting from small grains and other supported commodities to raise more produce that is in demand.

Irrigated land in the West will produce a minimum of 400 per cent more of many crops per acre and with more minerals and vitamins than land in the East or South. Their statement is therefore misleading wherein they say the 17 million more acres that could be irrigated is insignificant. Furthermore those acres presently irrigated will yield at least 300 per cent more returns by having a dependable supply of water that results from a reclamation project.

Their conclusion of a \$1,166 cost

per acre for a full water supply on the Fryingpan-Arkansas Project, because of the supplemental supply furnished by the project will be \$219 per acre for 0.5 acre foot, leaves no doubt of their ignorance, or their lack of good faith. Their quoted price of \$225 per acre for land in that area will double in value by the addition of the 0.5 acre feet of water. It will supply the amount of water lacking at the right time so that farmers can then well repay their share of the project.

The authors' method of singling out a few of the less successful projects, to hold them as examples of the whole, further discredits their report. It is regrettable that such a report may be accepted as factual by some members of our Congress who may be as uninformed on the subject as the authors seem to be.

The authors condemn the costs exceeding estimates, yet make no mention of the fact that, as in the case of the Big Thompson Project, many features were added to provide the increasing need for hydroelectric power in the rapid growth of the area.

The repayment of the project is thus accelerated. Furthermore, considering the many years' lapse between original estimates and actual appropriations and construction, the final costs, in my opinion, are reasonable.

I am writing as a small businessman who has witnessed the magic of supplemental water in an irrigated section. I have seen new industries and payrolls result, and increasing carloads of eastern-built merchandise shipped in to supply the increased purchasing power. I have seen defense industries established in the area as a result of the hydroelectric power, and increased labor supply that can now be supported in the area because of the Bureau of Reclamation.

I doubt if any federal expenditure benefits every citizen of our nation more than the Bureau of Reclamation in the creation of new wealth, commerce and national security. The day may not be far away when eastern states may need their services as we still need them in the West.

E. F. GARRETT,
Loveland, Colo.

How to stretch your shipping dollar



The high cost of shipping filled Harry with dread
He knew that the boss would be out for his head



Harry uses his head now... he's crowned with success
He calls economical **RAILWAY EXPRESS!**

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No use trying to stick to a shipping budget if you have to pay for "extras" like pickups, deliveries, and insurance. You just can't do it!

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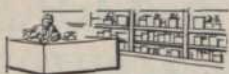
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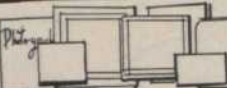
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Letters from businessmen

Expanding government

I think that your series of pieces in the September issue, "Adverse Effects of Expanding Government," are priceless, and you deserve a great deal of credit for publishing them.

M. W. ALLEN,
Executive Secretary,
Massachusetts Cooperative Bank League,
Boston, Mass.

Arizona's access

We regard "Road Program Hits All Land-Owners" (August issue) as a timely, well-written article.

There is, however, one point upon which we must disagree; this is found in the paragraph dealing with access to the Interstate System from abutting property and is stated thus: "Every one of the states except Arizona has either statutory or judicial authority permitting control of access."

Actually, we have always maintained that the existing statutes included authority to acquire control of access together with the taking of right of way. This contention was upheld by an opinion from the office of the Attorney General on May 17, 1957.

This ruling is recognized by the U. S. Bureau of Public Roads and we are daily engaged in the important business of purchasing rights of way (including access control) on which to construct the Interstate System in Arizona.

We are appreciative of the fact that you have published a lucid, comprehensible article on the road program, since a great deal of public understanding is going to be required for the project to progress in an uninterrupted manner.

We did, however, wish to clear up this one point with respect to our law.

WM. E. WILLEY,
State Highway Engineer,
Arizona Highway Department,
Phoenix, Ariz.

Forecast

The article "Home and Houseware Spending Projected to 1965" (August), is both interesting and encouraging. It indicates that a great amount of thought, effort and study was expended to accomplish the results. Attached is our check for 12 reprints.

JOSEPH A. BROWN,
President,
Baltimore Brick Company,
Baltimore, Md.

► See "Clothing Sales Projected to 1965," beginning on page 36.

Check this Chart...

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1957 equivalents of original costs (approximate)

Original Cost → Year ↓	8,000	10,000	12,000	14,000	16,000	18,000	20,000
	add 00						
1940	20,8	26,0	31,2	36,4	41,6	46,8	52,0
1941	20,0	25,1	30,1	35,1	40,1	45,2	50,2
1942	18,8	23,5	28,2	32,9	37,6	42,3	47,0
1943	16,8	21,1	25,3	29,5	33,7	37,9	42,1
1944	15,8	19,8	23,7	27,7	31,6	35,6	39,5
1945	14,3	17,9	21,5	25,1	28,7	32,3	35,9
1946	12,2	15,2	18,3	21,3	24,4	27,4	30,4
1947	10,8	13,5	16,2	18,9	21,6	24,3	27,0
1948	10,0	12,5	15,0	17,5	20,0	22,4	24,9
1949	9,9	12,3	14,8	17,3	19,7	22,2	24,7

According to the figures above, compiled by F. W. Dodge Corporation, the nationally known source of construction information, replacement costs on homes are higher than ever.

Think of the financial loss you would suffer if you were not insured to value and had to replace your home at today's costs. And that's just the house itself—what about the furnishings and other contents? Could you afford a total loss right now?

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A NEW EXPERIMENT in training and developing business leaders will be introduced next year.

A group of carefully selected young executives from different industries and geographical areas plus a number of highly qualified graduate students who plan careers as business educators will work and study together for an entire school year.

The special program will be carried out under the leadership of Dr. Carlton A. Pederson, acting dean of the Graduate School of Business of Stanford University.

Dr. Pederson told NATION'S BUSINESS that the Stanford Program of Executive Management, scheduled to begin next January, will focus on two basic needs.

"Among the needs of a complex individual society, none is more vital than the selection, training and development of key business leaders," he said. "Continuous progress of our society depends to a great extent on our ability to utilize the full potential of the relatively small number of exceptionally able young business executives who show promise for future growth—the uncommon men who will be called upon to accept major responsibilities within their companies and communities in the years ahead.

"Equally important is the need to provide a continuous flow of top level educators to provide the appropriate climate for professional business education within our universities and within business itself."

The students chosen for the new experiment will undergo training and do research work under conditions Dr. Pederson feels are unique.

"The program will lead the way in the West in a new type of educational experience that will combine the development of future key business executives and educational leaders . . . and give them a chance to participate jointly in a discussion

of specific phases of our free enterprise system," he said.

It is felt that major benefit will come from the program also because of an extension of the frontiers of knowledge in the field of management through the results of team and individual research projects by the businessmen and the teachers-to-be.

The participants in the program will be a select group of really competent men," Dr. Pederson said. "The business executives chosen will have to be able to handle problems of administration yet be qualified for doing research into business problems."

The program is designed for middle management men—executives in their middle 30's—Dr. Pederson told NATION'S BUSINESS. It is supported by a three-year grant from the Sloan Foundation, Inc. For the first class beginning training in January, 1958, 12 men from different industries, geographical areas and functional fields of business will be chosen as Stanford Business Executive Fellows.

Six Stanford Ph.D. Fellows will be named from among the graduate students seeking careers as business educators.

The group of 18 then will enroll for a nine months' period of intensive study and individualized personal development, Dr. Pederson explained, which will stress the following specific objectives:

1. Develop a better understanding of the economic, social, and political environment of business.

2. Develop a top-management perspective, an aptitude for considering problems from the viewpoint of the entire company.

3. Develop a breadth of vision beyond the scope of the executive's own area of activity.

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EXECUTIVES

continued

practical operating and business executives and future educational leaders of America to study together and to share experiences under the guidance and inspirational leadership of outstanding professors.

5. Develop and improve managerial skills and techniques by working cooperatively on group projects and by leading discussion groups.

6. Develop increased competence in particular areas of specialization through individual research and extensive directed reading assignments.

The young businessmen and the educators-in-training will meet together in seminars to discuss current and future management problems and issues.

Professors from the graduate school of business and from other departments and universities, and top management representatives from industry will work with them during the course of study.

The special students will take numerous field trips to observe current business practices and to establish direct communication with leading business executives throughout the nation.

During a portion of the program the group will be divided into two teams, each with six executives and three Ph.D. Fellows, in order to encourage cooperative effort in the solution of major management problems. A professor will direct the work of each group.

In addition to the seminars, field trips, team projects, individual research and directed reading, each special student will be given the opportunity to develop other future business leaders—a requirement of a top executive—by being held responsible for a series of discussion sessions attended by second-year graduate business students.

Dr. Pederson says Stanford will build a detailed course of study around the basic processes of management—planning, organizing, coordinating, motivating, and controlling.

Specific seminar series will cover the fields of accounting, finance, marketing, production, economics, labor and human relations, and government relations.

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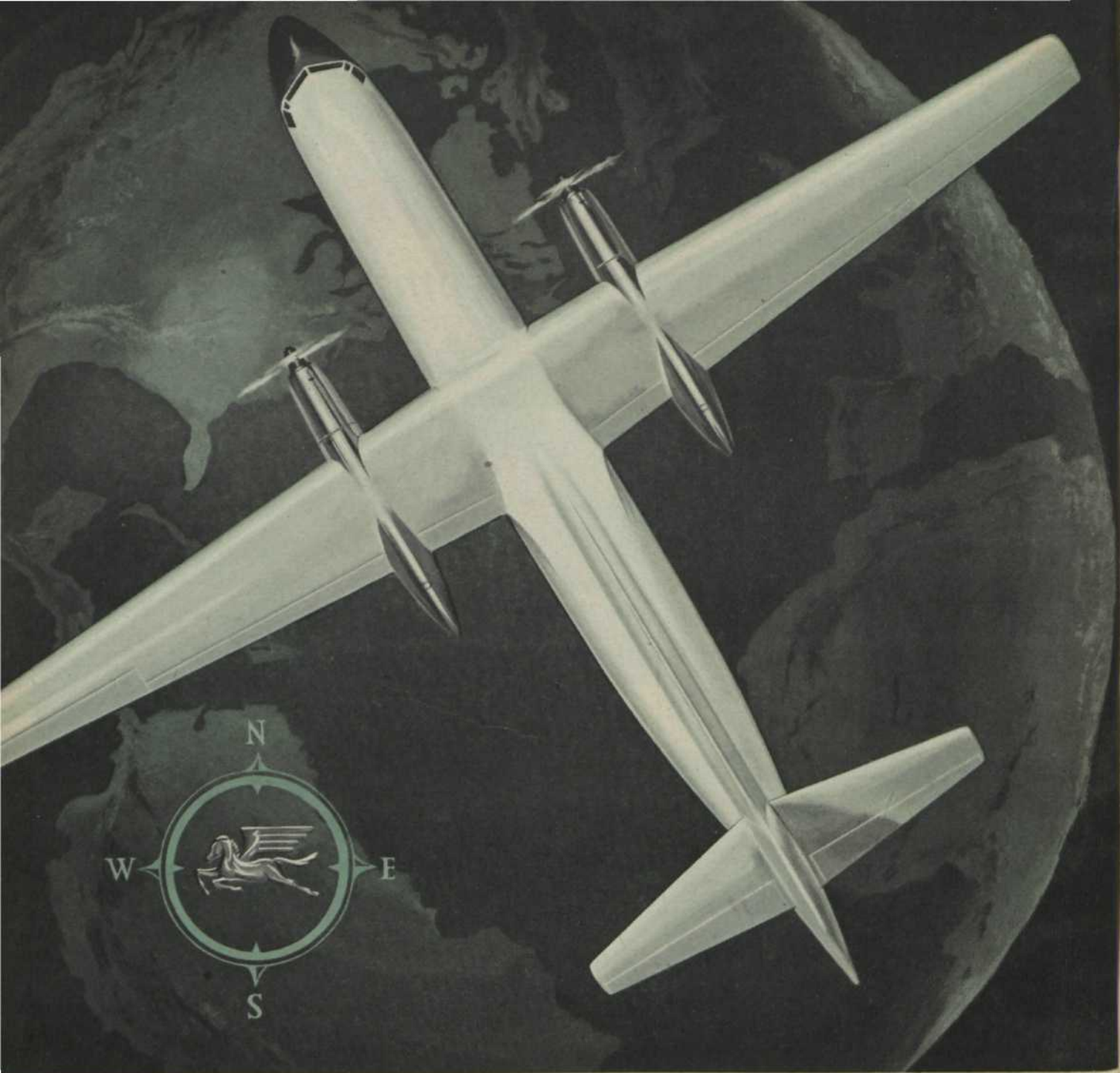
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Trends

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FRED J. MAROON

THE STATE OF THE NATION

BY FELIX MORLEY

Social security's humanitarian aims snarled in election year politics

IN EACH OF THE PAST four election years—1950, '52, '54 and '56—Congress has broadened the provisions for social security. There is no reason to suppose that this now well established procedure will be overlooked in 1958. It shows how easily a worthy governmental project is ensnared by politics. There are votes in laying a rich carpet on that bare floor of old-age pensions which in itself seems incontestably desirable.

When Congress reconvenes in January it will have already at hand the recommendations of organized labor for further extending OASI benefits, as adopted early this year by the AFL-CIO executive council. Legislation to make these increased payments effective was drafted during the past session, but with the tacit understanding that the

issue would not be pressed until the date for electing the Eighty-sixth Congress draws near.

The AFL-CIO recommendations do not ask for broader coverage, since practically every potential trade union member has been included by previous amendment. They do demand "a minimum 10 per cent increase in present benefits," plus free hospitalization and surgical care for all pensioners and eligible survivors. The latter would be expanded to "include brothers and sisters." Another request, cited as "urgent," is that tips be counted as wages for social security purposes. "This package," says the report adopted by the executive council, "can be financed by a net increase in level premium cost not exceeding one per cent of payroll."



To pay for these proposed extras—or for a part of them—the amount of income subject to payroll tax would certainly have to be boosted from the present \$4,200. Suggestions range up to \$6,000. This would raise maximum retirement benefit for a retired man and his dependent wife, excluding disability and dependent allowances, to approximately \$225 a month. That equals the yield at three per cent on \$90,000 of wholly tax-exempt bonds, a nestegg which would seem to rate some cackling even by today's generous standards.

A review of the record shows that in 1935, when the first Social Security Act was adopted, not one legislator showed any prevision of the fantastic

State of the nation

structure that is now extending itself on those foundations. There are, of course, many illustrations of the ease with which Congress succumbs to the argument for a modest beginning. But none of them show more startling consequences than the growth which is now characteristic of social security.

One of the arguments put forward in 1935, and now conveniently forgotten, is that the contributory pension system would serve as a measure of unemployment relief, by its encouragement to the retirement of older workers. That element is, of course, still present, but is becoming increasingly outweighed by the mounting tax on employment which mounting benefits demand. British experience has revealed the vicious circle that arises when unemployment insurance places direct taxes on employment so heavy as to encourage every possible payroll reduction.

In 1935, again, social security was with some reason promoted as an economy measure. In its report the House Committee on Ways and Means accepted President Roosevelt's argument that contributory pensions would cut the burden of federal doles to the aged, "which ought ultimately to be supplanted by self-supporting annuity plans." The committee report warned that:

"Unless a federal benefit system is provided, the cost of old-age pensions . . . , shared equally by the federal government and the states, would by 1960 mount annually to more than \$2 billion . . . on the basis of an average monthly pension of \$25."

Instead of supplanting Old Age Assistance, the contributory pension system continues merely to supplement it, though on an increasingly lavish scale. In the past fiscal year OASI paid out approximately \$6.5 billion in benefits, well over \$1 billion more than the budget estimates. Yet non-contributory old-age assistance payments fell little below the \$2 billion regarded as an impossible figure in 1935. In addition there is now a proposal to have the Treasury provide pensions of \$30 or \$40 a month to everybody, aged 65 or over, who is not already receiving a federal retirement allowance above this minimum. It is officially estimated that the additional cost of this, at the \$40 figure, would have been about another \$1 billion last year. One must also remember that the 15 million persons currently 65 and over are expected to increase to 19 million by 1970.

As Dr. Townsend anticipated, only a little prematurely, the program of "ham and eggs" for all the elderly, with Uncle Sam behind the free lunch counter, is proving itself politically efficacious.

Recipients are scarcely to be blamed if they accept this manna from heaven without asking how it is worked. Nevertheless, quite a few have been distinctly jolted by the ominous fact that during the past fiscal year OASI for the first time paid out almost as much in benefits (\$6,515 million) as it took in from payroll taxes and state contributions (\$6,540 million). Administrative costs, mostly the salaries of thousands of government clerks, absorbed a good deal more than this small surplus, leaving the Treasury to mop up the deficit of some \$125 million.

While this amount was seemingly more than covered by current interest on the trust fund, it flashed a red light which no economy-minded congressman can ignore. For it is now clear that, if benefits are increased again without additional taxes to cover all payments, the fund will be headed toward insolvency. It is equally clear that if payroll taxes are increased sufficiently to meet the higher costs, there will be a risk of stimulus to unemployment.

And this dilemma is sharpened by the questionable nature of the trust fund, composed entirely of government securities which must be serviced from general tax receipts. To meet any current deficit, additional outlay by the Treasury is, therefore, necessary, giving that much more stimulus to the sum total of inflationary forces.

The net of it is that as the social security payments go up, the purchasing power of each dollar therein tends to go down. And as each dollar loses value the demand for more dollars to compensate grows stronger. The AFL-CIO committee on social security observes in its latest report that "spiraling costs have in many cases seriously impaired the protection afforded wage earners. . . ." But its conclusion seems to be that the spiral should therefore be accelerated.

It is fallacious logic of that sort which eventually turns almost every form of federal interference with the free economy into a monstrous incubus. And the transformation, regardless of the form of intervention, is always the same. A modest start is recommended, to offset some wholly plausible, humanitarian need. The principle of intervention being thus established it is easy to show that the need is not being adequately met. But it never can be adequately met, because with every step in that direction the definition of adequacy enlarges. Therefore more and more aid will be demanded, the public appetite becoming ever more insistent regardless of whether the means for satisfying it is there.

Whenever a hole is bored in the economy dyke, pressure for increased spending will press on that aperture to enlarge it. And the more democratic the form of government, the more likelihood that this pressure will accomplish its purpose.



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Mr. Hjalmer (Joe)
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Trends

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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

British Queen's visit to Washington emphasizes changes since 1939

NEXT IN THE PARADE of dignitaries to this world capital will be Her Majesty Queen Elizabeth II and His Royal Highness Prince Philip, Duke of Edinburgh.

They are scheduled to arrive later this month to be guests of the United States Government.

The pleasant excitement their visit is causing may seem strange against the background of our early history, our antimonarchical tradition, but it really is not strange at all. Royalty has a powerful appeal for many Americans, a romantic pull that suggests an innate hunger for pomp and pageantry.

Lacking the real thing in the way of a ruling

dynasty, we award crowns and sceptors to our pretty girls, those who are chosen queens in honor of vegetables or fruits, football teams, beer, and a variety of other products. No other people uses the nomenclature of royalty to the extent that we do. In sports, we have our heavyweight kings, our home-run kings, and our kings of the turf. We even go so far as to call the leaders of our underworld kings, czars, barons, and the like.

So it is not surprising that Washington matrons are now conspiring to wangle invitations to parties in honor of Elizabeth II, the while they practice curtsying. Neither is it surprising that nobody thinks it odd that Her Majesty will live in the White House, which in 1814 was set afire by British troops sent over by her royal ancestor.

The thought that comes to my mind as Washington awaits the lovely young sovereign and her consort is what an almost incredible change has taken place in the world since her parents, the late King George VI and the now Dowager Queen Elizabeth, came here in 1939.



I was one of a dozen or so American reporters assigned to cover that Royal Tour of 18 years ago, which marked the first time in history a reigning British monarch had crossed the Atlantic. The tour began May 17, 1939, at Quebec, where Their Majesties arrived on the liner *Empress of Australia*. Thousands lined the high banks of the St. Lawrence, waving and yelling "Hurrah!" and "Vive!"

That night there was a brilliant state dinner in the Chateau Frontenac, with two red-coated footmen from Buckingham Palace serving the King and Queen caviar, brook trout, lamb, three kinds of champagne and an 1811 Napoleon brandy. The Queen wore a fortune in jewels, including a diamond tiara.

From Quebec the King and Queen went to Montreal, and then started across Canada, traveling in the most dazzling elegance. This was before chiefs of state had taken to the air, and so they moved across the continent in a ten-car Royal Train of blue and silver, drawn by a crown-embossed locomotive. All along the way, from ocean to ocean, there was a great outpouring of affection from the Canadians.

On June 9, a scorcher of a day, the King and Queen arrived in Washington to find President Franklin D. Roosevelt with outstretched hand and a friendly "Well, at last I greet you." A great multitude hailed the royal couple along Pennsylvania Avenue as they rode to the White House.

Eighteen years is not long in history. The world of Elizabeth II, however, is altogether different from that of her father in the early years of his reign. Mankind has entered the atomic age. Weapons have been developed that could erase New York, London and Moscow in a single all-out

Washington mood

attack. The talk has progressed from bombers to missiles—weapons that can streak across continents and oceans, carrying H-bomb warheads of unimaginable power.

This is all very terrifying if you think about it. The fact is, though, that in 1957 not many of us do think about it; at least we don't think about it much. When you get right down to it, there is less talk and less apprehension about war now than in 1939.

How do we account for this paradox? I suppose the answer is that Americans, rightly or wrongly, have accepted the thesis, advanced by President Eisenhower and others, that a great war now would result in mass suicide and therefore would be insane. Further, they have decided that the Russian leaders, for all their economic and political aberrations, are at least of sound mind.

Anyway, in my travels about the United States, I hear little talk about war. Our people seem to be most concerned about rising prices, sports, business and recreation.

On that Royal Tour in 1939, there was a great deal of war talk. One of the first questions an American asked a European was: "Do you think there'll be a war?" One day, as we were crossing the Rockies in Canada, I put that question to the Marquess of Donegal, columnist for a London newspaper.

"Oh, yes, there'll be a war," Lord Donegal replied.

Taken aback, I asked, "When?"

"When the crops are in," he said.

"And when will that be?"

"Oh, about Sept. 1."

I had reason to remember that conversation later on, for it was on Sept. 1 of that same year that Hitler ordered his Nazis into Poland and so set the world on fire. Britain and France entered the war two days later. Ultimately, all of the leading nations were embroiled.

Sometimes I have wondered if, in 1939, King George VI was as certain of a great war as was Lord Donegal, and if so whether that had anything to do with his visit to North America at that particular time.

A British monarch reigns but does not rule, the crown having been divested of all political power long ago. Usually his speeches are pretty little utterances, written by others and carefully edited to make sure that they are without real significance.

But King George VI made a speech in Winnipeg on May 24, 1939, that astonished the British reporters. One of them said that it was "the greatest

venture into the realm of international politics ever made by a constitutional British monarch." The King said that the time had come when the Old World might well look to the New World for hope and guidance.

"For a long period in history it was the mind of Europe which led the march and fixed the aims of progress in the world," King George said. "But that tide of inspiration is no longer running as it did in times gone by."

How much has happened in the world since then! And how prophetic the King was in Winnipeg when he said that the Old World had to look to the New for hope and guidance!

Historians have never had to grapple with a period so full of stirring events or one so fast-moving in the fields of science and diplomacy. America's performance in World War II—its mobilization of 15.5 million for the armed services and its successes on two fronts—was on a scale so vast that it is still hard to comprehend.

In a way, though, the events of the postwar years have been the most amazing of all. Perhaps our joining the United Nations was to have been expected. But who could have foretold some of the other things that were to happen to us after VJ-Day in 1945?

Who would have dreamed:

That the United States, after going deeply into debt in the war, would appropriate \$50 billion in foreign aid for other countries, including two of our former foes, Germany and Japan.

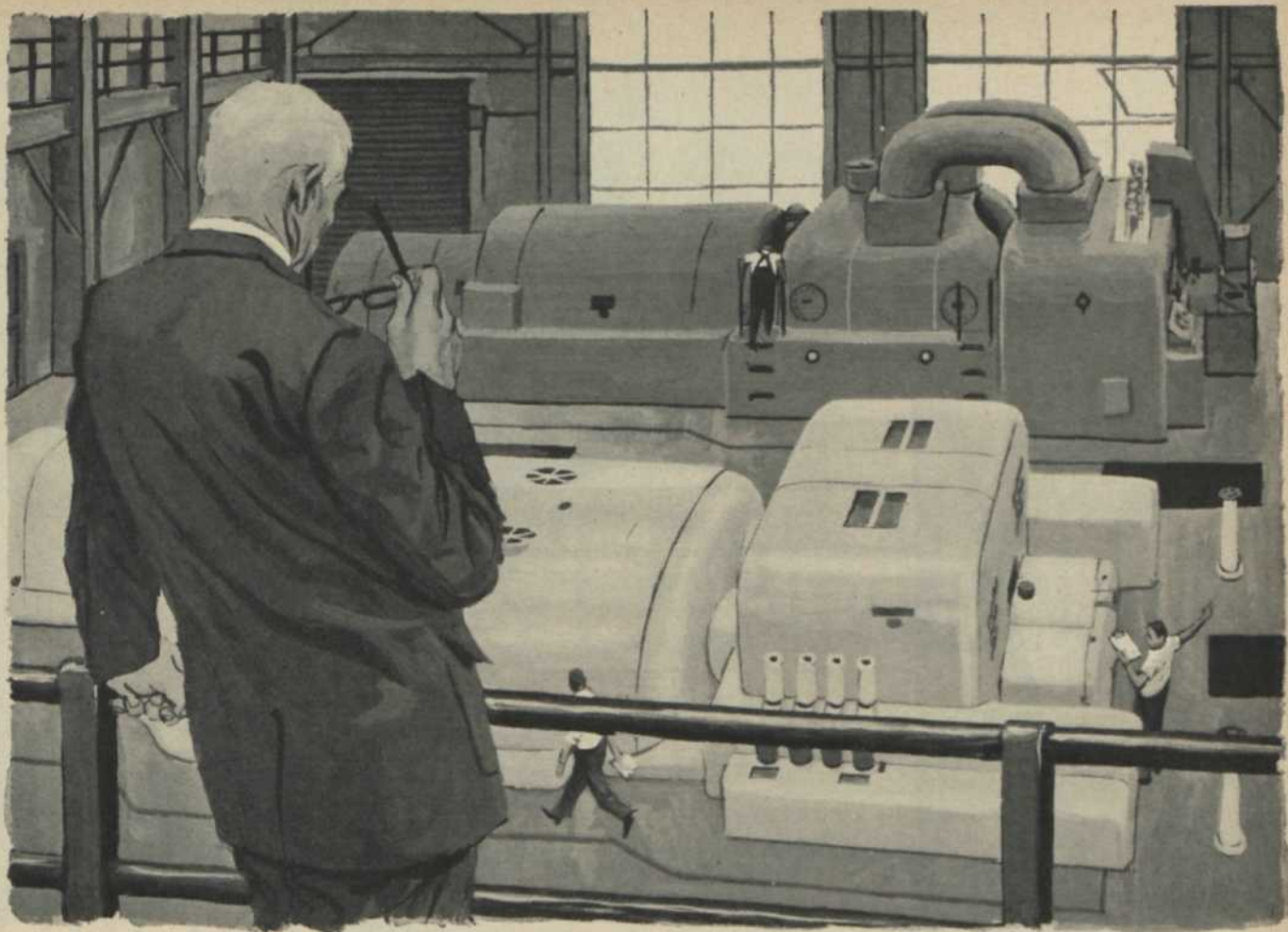
That the United States, which never before had entered into a military alliance in peacetime, would sponsor and join the North Atlantic Treaty Organization, pledging itself to fight if any one of 11 European countries should be attacked.

That now, 12 years after World War II, the United States would still have peacetime conscription and armed forces totaling nearly 3 million men.

No, 18 years is not long. Consider, though, what those years have brought in the lives of certain individuals. President Eisenhower in 1939 was an obscure lieutenant colonel, whose ambition was to win a general's star; Vice President Nixon was an even more obscure lawyer of 26 in Whittier, Cal., and Queen Elizabeth II was a girl of 13.

It would be natural for many Americans to have a nostalgia for 1939 and the years just before, to think fondly of them. However, the British historian Macaulay may have been right when he wrote that the golden age of the past exists only in the imagination, and that "no man who is correctly informed as to the past will be disposed to take a morose or desponding view of the present."

One of our American song-writers has said it in another way with the refrain: "These will be the good old days 20 years from now."



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IKE'S NEW POLICY:

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BIG GOVERNMENT

States' desire for federal money
could defeat move for economy

AN HISTORIC SHIFT in Eisenhower Administration policy may become apparent in the next few months.

If carried out successfully, it would change the course of recent federal-state-local relationships involving billions of dollars in tax money. It could lead to abandonment of a number of proposed programs that have previously been warmly embraced by the Administration.

It could mean a transfer to the states of many federal-state programs.

But it will meet stout opposition and need strong citizen support.

One of the first moves in the Administration strategy will be made this month in Chicago. There a presidential committee is expected to draw up specific recommendations for turning four federally run programs and \$500 million in tax sources back to the states.

If all goes well, the President next will urge the Congress—and the governors will recommend to their legislatures—that the federal decentralization plan be adopted, an administration official told NATION'S BUSINESS.

Shifting a few programs to the states would be the entering wedge, the strategists predict, for Uncle Sam's later shucking off even more expensive and more political federal-state programs and letting the states run them.

President Eisenhower in past years has urged that the traditional federal-state relationships be preserved. The strongest and most recent appeal was made at the Governors' Conference at Williamsburg, Va., in June.

The President at that time recommended that a committee of federal and state officials be set up to decide what federal functions could be performed by the states, how these functions could be financed and what functions and responsibilities would need attention in the future.

This committee was appointed, and in August it tentatively agreed that the states could take over more responsibility for the school lunch program, vocational education, water pollution abatement and natural disaster relief. In return, it was also tentatively agreed, the states should get more revenue from some of these presently federally taxed sources: local telephone service, amusement tickets, cabarets, club dues and initiation fees, coin operated gaming and amusement devices, safe deposit box rentals, bowling alleys and pool tables and gifts and inheritances. Staff groups are now working out the details.

When the committee meets again this month, it hopes to reach a firm agreement on these programs. "The plan," one official said, "is to demonstrate that the technique of shifting power back to the states is workable. Then we can attack the bigger, more firmly entrenched programs."

Though the President's support of strong state authority and responsibility is not new, in the immediate future states' rights apparently will receive new, vigorous support from him and become a major guideline for Administration thinking.

Secretary of the Treasury Robert B. Anderson, who heads the joint federal-state committee told NATION'S BUSINESS that the President is "exceed-



Federal grants in aid for state and local governments have shot upward in past decade. However, Congress refused this year to grant Administration requests for such plans as aid to school construction and depressed labor areas. This saved nearly \$200 million



UNITED PRESS

A reallocation of states' responsibilities "can lighten the hand of central authority, reinforce our state and local governments and . . . strengthen all America," President Eisenhower told the governors at Williamsburg. Here he speaks with Governors Robert Meyner (left) of New Jersey, and J. Caleb Boggs of Delaware

ingly interested" in the program of decentralization, that he will push it with "real determination," and that the President considers the matter "vital."

Secretary Anderson also expressed optimism in the progress of his committee.

Other officials, too, have sensed the President's determination for action in this field and predict that this policy will be reflected in Mr. Eisenhower's State of the Union and Budget Messages in January.

Such a policy would make it logical for the Administration to disown such proposals as federal aid to education, federal aid to depressed labor areas and other spending schemes.

Attempts to curtail the long-established programs of health, welfare and public works financed by federal and state funds surely would spur a number of politicians to battle.

A survey by the House Government Operations Subcommittee on Intergovernmental Relations headed by Rep. L. H. Fountain, North Carolina Democrat, shows why. Even before the President's Williamsburg speech, this committee, which has general legislative responsibility in this area, asked governors and local officials their views on what federal programs should be abandoned, reduced, increased or begun.

Many of the replies agreed the state and local governments could and should do more.

But when the officials got down to specifics, the story was different.

Only one state official then thought federal grants for public welfare should be eliminated. Only one favored reduction. Nine said present programs are adequate and should be continued. Seventeen wanted new or expanded Washington-run programs for medical

care for the aged or for all needy, grants for children in foster homes and other changes.

No governor suggested reducing or eliminating federal public health grants. Seven thought the present rate about right; 10 wanted bigger programs.

A large majority of city and county officials urged increased grants for existing programs and new grants for mental health activities, child health, medical school construction and other items.

None indicated any thought of initiating the desired expansion on a state or local basis.

City officials overwhelmingly wanted more money for housing—especially for middle income families, elderly persons, and minority groups.

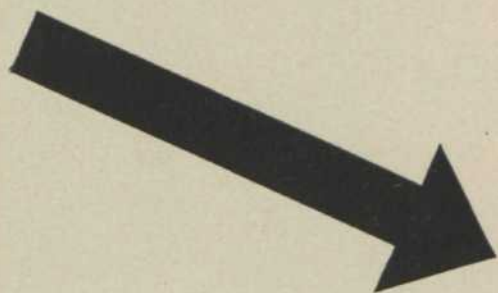
All wanted more for civil defense.

Most wanted more for airport building.

Perhaps the best synthesis of the replies was the answer of a Republican governor, J. Caleb Boggs of Delaware:

"We think it unrealistic to give serious consideration to elimination or sharp curtailment of any major federal aid program. Federal grants have been built into state fiscal systems to such varying depths that their complete removal, even with federal tax cuts that would be compensating for the states as a group, would produce distorted results among the states as individual units.

"We think a more sensible policy is to assume that present programs (at least, the major ones) are likely to remain, and that we should work toward greater efficiency in their administration and greater equity among the states in distributing funds appropriated for these programs. Perhaps the difficulty of removing a major program, once well established, should serve



Joint federal-state committee has ideas for changing or turning back to the states four federally run programs, plus tax sources worth \$500 million. Programs would involve:

School lunches
Vocational education
Water pollution
Disaster relief

as a caution against too ready acceptance of new programs by the Congress."

The attitudes expressed in this survey help explain why, for the past 40 years, legislation and court decisions have been moving the federal government into many areas previously reserved for the states. One congressman recently said the trend soon may be carried to the point where state and local governments "represent little more than a group of field offices for the direction of federal programs."

You can expect to hear more about all this in the fall when the House Government Operations subcommittee begins hearings to pin down state and local officials on their opinions expressed in the earlier survey.

At Williamsburg, President Eisenhower said "the elimination of federal overhead—stopping, in other words, the freight charges on money being hauled from the states to Washington and back—would save the American taxpayer a tidy sum.

"I believe deeply in states' rights. I believe that the preservation of our states as vigorous, powerful governmental units is essential to permanent individual freedom and the growth of our national strength. But it is idle to champion states' rights without upholding states' responsibilities as well. . . .

"I believe that an objective reappraisal and reallocation of those responsibilities can lighten the hand of central authority, reinforce our state and local governments, and in the process strengthen all America."

Mr. Eisenhower said the alternatives are simple: Either fiscal and tax systems can be overhauled, permitting the states to regain their traditional responsi-

bilities and rights; or the states, by inadequate action or failure to act, can create new vacuums into which the federal government would "plunge ever more deeply, impelled by popular pressures and transient political expediences."

Casting his ballot for the first alternative, the President proposed a new federal-state task force, with three jobs:

1. To designate functions performed or financed wholly or in part by the federal government which the states are willing to assume and finance.
2. To recommend the federal and state tax changes needed to enable the states to take on these functions.
3. To identify functions likely to require state or federal attention in the future and recommend how these should be handled.

The President suggested that the task force concentrate on pairing a particular program with a particular tax change.

Named by the President to the Committee in addition to Treasury Secretary Anderson were Labor Secretary James P. Mitchell; Secretary of Health, Education and Welfare Marion B. Folsom; Budget Director Percival Brundage; Meyer Kestnbaum, and presidential assistants Howard Pyle and John S. Bragdon. John H. Stambaugh, vice chancellor of Vanderbilt University and a presidential consultant, was named executive director for the federal part of the work. Various other federal officials were named as consultants.

Named to represent the governors were Governors Lane Dwinell of New Hampshire; Theodore R. McKeldin of Maryland; Victor E. Anderson of Nebraska; Robert E. Smylie of

(continued on page 46)

business looks at

Walter Reuther

Analysis of this labor leader's aims and tactics shows what he is up to and what it will mean

BUSINESSMEN looking ahead at union plans—and worrying about what they may mean for their business and the economy as a whole—are sizing up just one union leader: Walter P. Reuther.

Those who have been watching the president of the United Automobile Workers since he began his rise as a labor leader are not surprised by his latest proposal to major automobile manufacturers: Cut 1958 automobile prices \$100 as a start in reversing the inflationary trend.

They see this as a typical Reuther tactic intended to put automobile management on the defensive and win public support for labor in the coming wage negotiations.

It follows an earlier Reuther move last May. At that time he asked the major automobile companies to agree to a joint study of how to reduce the workweek and, at the same time, give workers more take-home pay. This is UAW's big goal in the new contracts which will replace the three-year agreements running out about June 1. Company representatives declined to be dragged into

negotiations a year ahead of time.

The present strategy follows an old Reuther formula: Make a startling proposition which will have wide and strong public appeal, no matter how unsound, impractical, or unfair; announce it first in the press, give it wide publicity, and put management in a position of appearing to be against a constructive idea offered in good faith in the public interest.

In the latest instance, Mr. Reuther also wrote to President Eisenhower asking him to urge the companies to go along with the proposal and making it appear that the UAW is complying—and the companies are not—with a White House plea for self-restraint on wages and prices.

The union's part of the bargain, if automobile prices were cut, would be to consider the situation in next year's bargaining—if the companies were hurt financially. There is no flat promise to lower demands or waive a wage increase.

Ultimately, Mr. Reuther's proposal calls for the companies to produce their books to justify any

claim that they were being hurt by the price cut. Then a panel of outsiders would decide what would be a reasonable profit for the companies.

In rejecting the Reuther proposition, the heads of the Big Three automobile manufacturing firms made it clear they were no less concerned about inflation than Mr. Reuther, and blamed rising wage costs as the major cause.

It was also evident that automobile management was not going to sit back and let Mr. Reuther's pre-bargaining propaganda charges go unanswered.

Henry Ford II, president of the Ford Motor Company, accused the Detroit union leader of converting "a grave national problem into a propaganda platform designed to divert public criticism from himself." He said the predominant reason for a 30 per cent price increase since 1948 in a typical Ford car is a 70 per cent rise in wages.

Finding it difficult to reconcile Mr. Reuther's professed concern over inflation with the UAW's 1958 objectives of "the biggest wage increases in the union's history," a



LEO ROSENTHAL-PIX

shorter workweek, and many other benefits, Harlow H. Curtice, president of General Motors Corporation, made Mr. Reuther a counter proposal:

Let the UAW extend the present three-year contract another two years. Under this contract, which expires May 29, wages are raised annually 2½ per cent, with a minimum increase of six cents an hour, and adjusted quarterly to reflect cost-of-living changes. Wages have risen 14 cents in the past year with no increase in car prices.

Mr. Curtice also restated the corporation position that prices are not a proper subject for collective bargaining.

L. L. Colbert, president of Chrysler Corporation, told Mr. Reuther his proposal was just as logical as it would be for the industry to ask union members to take an immediate and sizable wage cut, which the companies would then take into consideration in pricing 1958 cars.

Mr. Reuther's plan had a familiar ring. It is one of many of a socialistic nature Mr. Reuther has pro-

duced over the years with regard to wage-price relationships and in other fields far remote from collective bargaining.

This one was reminiscent of his 1945 proposal to General Motors Corporation to open its books to public inspection: The union would withdraw its wage demands if the company could prove that granting them would force a price increase. Later, after a 119-day strike and an 18½ cent wage increase, the union leader admitted that asking to see the books was a public relations move to put the corporation over a barrel.

Businessmen have developed strong opinions about Mr. Reuther. They believe he:

► Is trying to run business and the country in addition to his union and the labor movement.

► Believes in socialism and really wants to socialize our economy while claiming to stand for private enterprise.

► Is the strongest force in organized labor; he can be president of UAW as long as he wants and is increasing his influence in AFL-CIO.

► Is not running for President, but is trying to wield political power behind the scenes and through a new Democratic Party.

► Is a supersalesman of his ideas and thus presents a real challenge to business and other groups who may disagree with him.

These and other opinions of Mr. Reuther were obtained by a NATION'S BUSINESS editor from management men who have been weighing the economic and political significance of the glib, irrepressible and most controversial labor leader to come upon the American scene.

Businessmen are disturbed by what they see in this 50-year-old redhead who has become the symbol of the modern labor movement, just as John L. Lewis and Samuel Gompers personified organized labor in their day.

To businessmen concerned about him, Walter Reuther is more than just another union leader; his UAW is more than just the largest union in the country.

President of UAW for 11 years, Mr. Reuther has surrounded himself
(continued on page 121)

WAGE-PRICE INFLATION FORCES THESE CHANGES

These practical steps
will help you avoid a real
threat to your business

INFLATION is a powerful method of redistributing wealth. In the process it may reduce the creation of some forms of real wealth. It may stimulate the production of other forms. It may do both at the same time.

In contrast to what it does to wealth, inflation may not have much effect on the distribution of real earnings over the long run. In the short run it may cut the real earnings of salaried people and of some non-salaried groups, including owners of unincorporated businesses or of farms. In the long run groups actively earning learn how to adjust to allow for inflation, although they can be hurt until they learn to protect themselves. Those on pensions or other fixed income may never be able to protect themselves.

This redistribution of wealth is already going on.

Mr. G. L. Bach, of the Carnegie Institute of Technology, calculated for the Joint Committee on the Economic Report that the inflation of 1939-52 wiped out about \$500 billion in terms of 1952 dollars, or roughly \$525 billion of 1957 purchasing power—largely the purchasing power of individuals. This figure is more than 10 per cent greater than the total gross national product expected in 1957.

If Mr. Bach's calculations are correct, we achieved the equivalent of shifting the ownership of two thirds of all reproducible goods, houses, factories, railroads and so on, that existed in 1939 by the simple process of deflating the value of the dollar between 1939 and 1952. We offset much of this shifting by taxes, public largess and new production.

But we did a massive job of redistributing wealth all the same, although the average person did not get very excited about it.

Today people are worried. Prices are becoming a matter of day-to-day concern. The cost of living indexes are front-page news to employees as well as to businessmen. Some union leaders are blaming price increases on deliberate management policies. There are several reasons for this awakening interest.

Wholesale prices have risen nearly seven per cent since the end of 1955. They have risen 3.5 per

cent in the past year. Retail prices have risen five per cent since early 1956 and more than two per cent so far this year. Coming in a time of high employment, yet after nearly 25 years of rising prices (something that had not happened in the past 150 years) this has caused real concern on the part of government, labor and management.

Consumers have withdrawn from the market lately, in part because of high prices and uncertainty. If they discover that withdrawing does not help and prices continue to rise, they may come back into the market as they did in 1951. We could then have another upward surge in prices. This, added to current pressures, could encourage speculative ordering, speculative investment, extending of escalator contracts to pensions and other nonwage payments.

We will be better prepared either to cope with this or to prevent it if we have the answers to some questions:

- Why the present concern?
- How does inflation redistribute wealth?
- Whom does it hurt?
- What has caused it?
- What can a businessman do?

Why the concern

The present interest in inflation may seem fanciful. It may be argued, and is argued, that although prices are double what they were in 1933 and still rising, we have had and still have a healthy economy, a high savings rate. So, according to this argument, inflation has not hurt in the past and won't hurt much in the future.

But what we did not have from 1933 to 1957 while this price rise was under way was a general belief that inflation was here to stay. Prices in 1941 were lower than in 1929. While they had risen since 1933, they still were lower than at any time during the '20's. Inflation was not feared before World War II and the war-generated inflation was not considered permanent inflation. It is sometimes forgotten that prices dropped after the Civil War, and after World War I.

The cost of living index of the Federal Reserve Board of New York runs back to 1820. It shows that consumer prices dropped at least to some extent in five years of every nine and rose at least a little in the other four years from 1820 to World War I. The index was 102 in 1867 and, tied to the BLS index, was 102 in 1914. It rose until 1920, but was lower again in 1941 than in 1919.

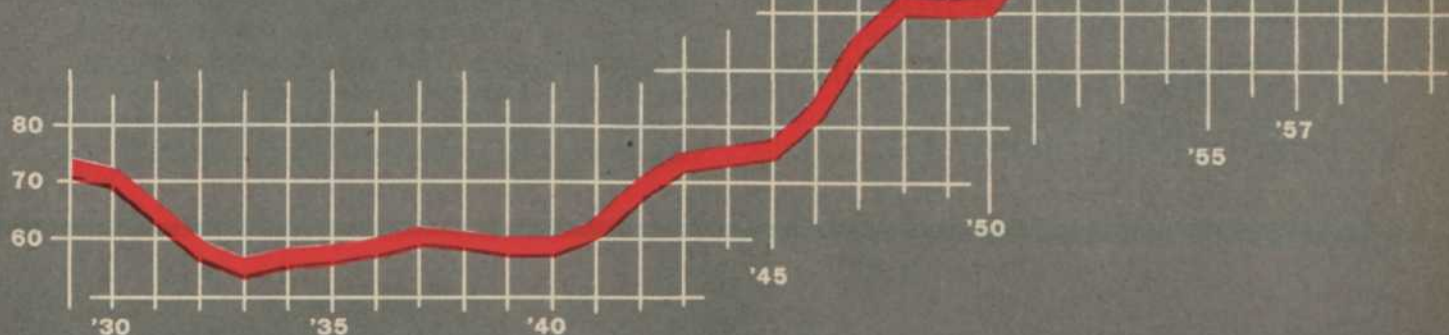
The country had had a long history of fluctuating prices, but not a long history of prices moving upward only, before World War II.

1.

Path to price stability
lies in recognition
by businessmen of
potential in
today's conditions



Consumer price index 1929-1957



So prices could rise from 1945 to 1956 without permanently endangering people's confidence in the value of their savings. As a matter of fact, confidence was so strong for a time that labor union leaders lost interest in escalator clauses. Several major cost items such as apparel and food dropped noticeably after 1951 and 1952, and other items dropped after 1953. Escalator clauses for a time resulted in some reductions in hourly pay rates.

Studies by the Michigan University Survey Research Center indicate, however, that consumers did begin to worry in 1950 when prices rose precipitously. They regained confidence after the rise began to flatten out, but purchases of consumer durables did not reach 1950 levels again, on a constant dollar basis, until 1955.

The Survey Center reports that families are once more getting concerned.

Increasing wages in 1957 did not bring a comparable increase in purchases. This means the situation did not bring a comparable increase in employment. The Michigan studies show that families may be content when wages and productivity rise and prices are stable. They are less satisfied when both prices and wages are rising even though their relative earning power may be improved.

Redistributing wealth

Inflation redistributes wealth principally by cutting the value of fixed long term debt, or of other long term assets expressed in terms of a fixed number of dollars on which

(continued on page 87)

2. Decisions should allow for cost-boosting chain reactions possible from raise in wages or prices



3. Business accounting in terms of reality, not just numbers, would help reflect real costs



CLOTHING SALES PROJECTED TO 1965

Population, income and style changes will fashion new spending patterns

IN THE YEARS AHEAD, the American male may spend as much for his own wardrobe as he spends to keep his clothes-conscious wife in fashion.

Population growth, income boosts and the pressures of fashion could bring this upset in traditional family clothes budgeting practice. At the least, major changes in the purchase of clothes and accessories seem in store for the future, NATION'S BUSINESS finds in a special study.

Clothing's share of the consumer dollar has stayed at about 10 or 11 per cent for the past five years.

Higher average incomes could increase this percentage a little, since higher income families usually devote more of each dollar spent for dress than low income families. Families with incomes under \$4,000 use 8.5 per cent of total expenditures for clothing, for instance. Families with incomes of \$10,000 and more use 11.5 per cent for clothing.

However, as Prof. John W. Wingate sees it: "There's little likelihood of much change in the percentage of the dollar spent for clothing. People will still be buying cars and processed foods, for example, at a high rate." Dr. Wingate, professor of Business Administration at City College of New York, is in charge of the retailing program there.

Here's how people in different income groups

(Shown in billions of dollars)

	TOTAL		UNDER \$4,000	
	1957	1965	1957	1965
Women's and girls' clothing:				
Outerwear	\$7.7	\$10.5	\$1.1	\$0.7
Underwear and nightwear	1.8	2.2	0.3	0.2
Hosiery	1.2	1.3	0.3	0.2
Footwear	2.3	3.1	0.4	0.3
Hats, gloves and accessories	2.3	3.1	0.3	0.2
Total women's and girls' clothing	15.3	20.2	2.4	1.6
Men's and boys' clothing:				
Outerwear	5.2	6.9	0.8	0.5
Underwear, nightwear, and socks	0.9	1.1	0.1	0.1
Footwear	1.7	2.5	0.3	0.2
Hats, gloves and accessories	1.1	1.6	0.1	0.1
Total men's and boys' clothing	8.9	12.1	1.3	0.9
Clothing for children under two years old	0.4	0.5	0.1	0.1
Clothing materials	0.7	0.8	0.1	0.1
Clothing services	3.2	4.9	0.5	0.4
Total clothing expenditures	28.5	38.5	4.4	3.1

Many retail clothing men, however, have great hope for new styles and materials that could still further whet what Secretary of Commerce Sinclair Weeks recently called the U. S. consumers' "insatiable appetite" for buying.

Clothing industry people see plenty of new manufacturing, marketing and selling opportunities ahead. E. I. du Pont de Nemours & Company, for example, in a recent study of clothing expenditures concluded that clothes spending will increase with the rise in incomes.

These figures from the special NATION'S BUSINESS study help fortify industry hopes:

The rate of consumer spending for men's and boys' clothing from 1948 to 1956 crept ahead by only two per cent. But for the same number of years in the future—from now until 1965—expenditures for men's and boys' clothes are expected to rise 36 per cent—from \$8.9 billion this year to \$12.1 billion in '65.

Spending for women's and girls' apparel is rising, too, but not as sharply. The distaff spending for clothing and accessories rose 17 per cent in the past eight years. For the next eight years, a 32 per cent climb—from \$15.3 billion to \$20.2 billion—is forecast. The total spent to dress the women is much

more than for men. But the rate of increase doesn't match the steep rise estimated for male clothes.

Between now and 1965, the increase in total clothing expenditures could be three times the rise of the past eight years. By 1965 they are estimated to rise by 35 per cent, to a total of \$38.5 billion.

These predictions are based on projections of population and income trends. They are stated in terms of today's dollars. The reason for the sharper upturn in clothing spending in coming years is that more families will move into higher income brackets; and outlays for clothes are heavier in these brackets, especially for certain male apparel in some of the higher income brackets.

When style trends are woven into the picture, the outlook is for even greater spending, merchandising experts believe.

While the outlook for the clothing industry appears bright as a whole, spending will be much higher for some items than for others, the population, income and style patterns indicate.

Since consumer spending for all sorts of things is expected to shoot upward at least as fast as spending for clothing by 1965, the percentage of income allocated for clothes will not change greatly. According

will spend to buy clothing in 1957 and 1965

\$4,000—\$5,999		\$6,000—\$9,999		\$10,000 AND OVER	
1957	1965	1957	1965	1957	1965
\$1.6	\$1.7	\$2.8	\$4.1	\$2.2	\$4.0
0.4	0.4	0.8	1.0	0.3	0.6
0.3	0.3	0.4	0.5	0.2	0.3
0.6	0.6	0.9	1.4	0.4	0.8
0.3	0.4	0.9	1.2	0.8	1.3
3.2	3.4	5.8	8.2	3.9	7.0
1.1	1.1	2.0	2.9	1.3	2.4
0.3	0.2	0.3	0.5	0.2	0.3
0.4	0.6	0.7	1.1	0.3	0.6
0.2	0.3	0.5	0.7	0.3	0.5
2.0	2.2	3.5	5.2	2.1	3.8
0.1	0.1	0.1	0.1	0.1	0.2
0.2	0.2	0.3	0.3	0.1	0.2
0.8	1.0	1.1	2.1	0.8	1.4
6.3	6.9	10.8	15.9	7.0	12.6

to the U. S. Department of Commerce national income statistics, in 1929 some 14.2 per cent of all consumer dollars went for clothing and related items. The proportion dropped to 11.7 per cent in 1933. After staying between 12 and 13 per cent for a decade, it rose as wartime scarcities of most consumer durable goods developed. It reached a peak of 16.2 per cent in 1945. Clothing's share of the consumer dollar fell off then as more civilian goods became available. During the past five years, the share has been between 11 and 10 per cent.

There are decided trends for the future, says veteran retailer Philip M. Talbott, that should stimulate clothing sales: mixed fabrics of natural and synthetic fibers, more light weight garments and more color in men's clothing. "Don't be surprised to see brilliant yellows and greens in men's slacks," predicts Mr. Talbott, who is senior vice president of Woodward & Lothrop department stores, current president of the U. S. Chamber of Commerce and past president of the National Retail Dry Goods Association. A great many men, he notes, don't own overcoats any more. Because of better heating of cars and other modes of transportation, lighter coats suffice.

One clothes buyer predicts that improved synthetics and treated natural fibers as well as improved fabric mixes will be offered not only in such basics as dresses and shirts, but in accessories. There will be complete changes in materials for the different seasons, along with greater emphasis on style, he says.

A merchandising manager comments that sports wear for both men and women is in greater demand as a result of more leisure time, more barbecue-in-the-backyard living and resort fashion influence. "We're continually swiping space from other departments to make more room for sports wear," he says.

"Living conditions dictate our styles," says Dean Helen G. Canoyer of New York State College of Home Economics, "as well as geographical location. In some parts of the country an octogenarian can be well dressed wearing a sport shirt, slacks and sandals."

An indication of the attempts already made to stimulate sales of boys' clothing comes from one retailer. "A few years ago," he said, "we carried only four styles in boys' shirts. Now we have 11 styles and more depth in color." There will be still more choice in the future.

"What will really make the difference in the future for boys' clothing," says one merchandising man, "is more wash and wear items. Even now, a mother will pay a dollar or so more for junior's wash and wear shirts so she won't have to iron them." The start of another trend, he adds, could bring higher sales in the future. This is "a little more dressy attitude."

Sales of clothes for teen-age girls and boys are sure to zoom in the early 1960's. The teen-age population is expected to double in the next dozen years. (See June, 1957 NATION'S BUSINESS, "Get Ready for 1960 Teen-Age Wave.")

The University of Michigan's Survey Research Center reports that U. S. families now plan to have an average of three children. The family today averages two children. This finding suggests heavier

spending for young children's clothing in the next several years.

Clothing expenditures rise fairly steadily as a family increases in size. Families with incomes of from \$4,000 to \$6,000, for example, today spend about \$60 more a year for clothing for each additional member of the family. The average family with earnings of from \$6,000 to \$10,000 spends around \$100 more. Spending increases by only this much since adults tend to curtail buying.

Less than 20 years ago, as one buyer pointed out, it was customary for men to wear the same weight suit all year around. Gradually more men have turned to seasonal weight apparel, but the potential market is still big. A new survey by the marketing research division of the Agriculture Department found that only four out of 10 men today own a summer suit. However, indicating the trend to casual wear, one out of every 10 men owns Bermuda or walking shorts.

According to the same survey, cotton was the preferred fiber for men's shirts and summer slacks and shorts. Wool was the favorite for summer suits and sport coats. It was also the predominant fiber among women's fall, winter and spring suits and skirts, according to a survey in late 1955.

The Agriculture Department also found a preference for cotton among teen-age girls. But only a minority of the girls said they were familiar enough with rayon or dacron to state their likes or dislikes about these fibers. This study found that a daughter 14 to 17 years old is likely to make the final decision on what is bought for her, although many families' clothing purchases are a result of a joint decision.

Fabrics play an important role in the selection of suits, skirts and sweaters, the 1955 survey of women's preference showed. Almost seven out of 10 women said the fabric was one reason for choosing the last suit or skirt they bought, and almost eight out of 10 gave a fabric reason for picking their last sweater.

Orlon has made progress in the sweater market. Young girls preferred it two to one over other fabrics.

The idea of washing their suits didn't have strong appeal to the women. Few said they washed any of their suits. Only three out of 10 said they would prefer to wash all their suits if they could be assured they would wash satisfactorily.

About one in nine women reported owning a suit, skirt or sweater that was imported or made of imported fabric, and these women were strongly in favor of imports. The survey found also that most women would pay more for their clothes to have them mothproofed at the factory.

Most American women do some type of needlework. About seven out of 10 say they have the use of sewing machines. Two thirds said they owned the machines. Others rented or borrowed. Women's and children's garments are the clothes most frequently made by the four out of 10 women who made new clothes in 1955.

Much clothing is bought as gifts, the Agriculture Department found. A sample of 900 families several years ago revealed that about 10 per cent of adults' clothing came to them in the form of presents. Some 18 to 21 per cent of children's clothing were gifts. A large eastern department store discovered that 65 per

cent of all men's wear, except for suits and coats, was purchased by women.

Population and income trends indicate that spending for outer wear, shoes, hats and accessories will rise much faster than expenditures for underwear and hosiery. As more families move to higher income levels, spending for men's and boys' shoes is expected to climb above other clothing items.

Styling may push this upward sales trend to even greater heights. "We hope it will," says Iver M. Olson, director of marketing research for the National Shoe Manufacturers Association. "You can buy a pair of shoes now that are so light you feel like you're running barefoot back on the farm," he adds, "but you still see men on Madison Avenue plodding along with shoes that weigh two pounds each."

With women's shoes, he explained, more imaginative styling, new materials, new construction, matching colors to dress colors has increased sales. It could

happen with shoes for men and boys, too, he said, if shoes are promoted on the basis of new light leather, low cut styling, new comfort and the need for different shoes for different occasions.

Clothing prices are difficult to predict, but today's practice would suggest that women's dress prices will edge up more slowly than prices of men's clothing, since there is more intense competition in this low margin, high volume end of the industry.

Here, based on population and income projections are forecasts of consumer expenditures for various items and in various income brackets for 1957 and 1965. Basic expenditure data were drawn from a study of consumer spending by the Wharton School of Finance and Commerce at the University of Pennsylvania.

Annual clothing expenditures averages in terms of today's prices: \$220 for families with incomes under \$4,000; \$1,500 for families of \$10,000 and more.

These are the main trends in future consumer spending for clothes

Women's and girls' clothing



Spending in this category will reach \$15.3 billion this year. These expenditures are expected to reach \$20.2 billion in 1965, a 32 per cent rise. Women's and girls' clothing make up 4.6 per cent of all expenditures for families with incomes under \$4,000, but rise to 6.5 per cent for families with incomes of \$10,000 and over. Families with incomes under \$4,000 average \$110 per year for women's and girls' clothing, while families with \$10,000 and over income average \$825 per year.

While lower income families allot

a smaller proportion of their total expenditures for women's and girls' clothing, they make up a substantial part of the total market. Of all dollars spent for women's and girls' clothing 16 per cent is spent by the 38 per cent of U. S. families with incomes under \$4,000; the 24 per cent with \$4,000 to \$5,999 income are 21 per cent of this market; the 28 per cent with \$6,000 to \$9,999 income are 38 per cent of the market; the 10 per cent with \$10,000 and more income are 25 per cent of the market.

Outerwear

Expenditures for dresses, skirts, blouses, coats, suits, sweaters, and other women's and girls' outerwear will total \$7.7 billion this year, but are expected to reach \$10.5 billion in 1965, a 36 per cent rise. The proportion of family expenditures allotted to these items increases as incomes rise. It's 2.1 per cent of all

expenditures for families with incomes under \$4,000, but is 3.7 per cent for families with incomes of \$10,000 and more. Average annual expenditures for all families is \$145, in current prices, but is \$55 for families with incomes under \$4,000, and averages \$475 for families with incomes of \$10,000 and more.

Underwear and nightwear

This year's expenditures for women's and girls' slips, corsets, pajamas, nightgowns, robes, and other underwear and nightwear items total \$1.8 billion, but is expected to rise 22 per cent by 1965, reaching \$2.2 billion. Expenditures for these items are about 0.6 per cent of total

family expenditures at all levels of income. These expenditures average about \$35 per year for all families, but are about \$15 per year for families with incomes under \$4,000 and average \$75 per year for families with incomes of \$10,000 and more.

Hosiery

Purchases of women's and girls' stockings, anklets and socks are expected to total \$1.2 billion this year, and reach \$1.3 billion in 1965, a rise of only eight per cent. The proportion of total consumer expenditures used for these items drops as incomes rise. Families with

incomes under \$4,000 devote 0.6 per cent of total expenditures to women's and girls' hosiery, while families with incomes of \$10,000 and more devote only 0.3 per cent. The average expenditures for all families is \$22 a year, but families

(continued on page 110)

Rulings coming on hot business issues

New Supreme Court session could be stormy, with angry reactions likely from Congress

THE DOCKET of the Supreme Court of the United States for the term which gets under way this month already is dotted with important cases involving such matters of interest to businessmen as antitrust actions, labor relations and taxes.

Late last term, the series of decisions dealing with availability of FBI files, the powers of police and congressional investigative committees, and the prosecution of communists focused attention on the Court's so-called liberal bloc. When the four Justices most closely identified with this description formed the majority in the four to two decision which found that E. I. du Pont de Nemours & Co., had exercised illegal monopolistic control over the General Motors Corp., there was feeling that the weight of this group might also be felt this year in business cases.

As the new term starts, it seems clearer than ever that Chief Justice Earl Warren, with Associate Justices Hugo L. Black and William O. Douglas, two old-time New Dealers who not long ago were most often lonely dissenters, make up this new hard core of the Court. Justice William J. Brennan, Jr., appointed by President Eisenhower last year to replace the conservative Justice Sherman Minton, often finds himself in the Warren-Douglas-Black corner. Justice Tom C.

Hard core of court could be Chief Justice Warren, Justices Black, Douglas and Brennan, who frequently find themselves in agreement



Here are some of the issues

- **Tax deductions:** Are fines and other costs of law violations tax deductible? What about overweight truck penalties?
- **Dual rates:** Are the dual rate systems used by major shipping lines permissible?

Clark, a Truman appointee and a former Attorney General in the Truman Administration, and Justice Harold H. Burton, another Truman appointee, usually unite in opposition.

Justices John Marshall Harlan, an Eisenhower appointee, and Felix Frankfurter, an unpredictable veteran from the days of Franklin Roosevelt, are the swing men, with Justice Charles Evans Whittaker, the most recent Eisenhower appointee, too new on the Supreme Court to classify although his lower court record has a conservative flavor.

Thus, the views are closely balanced—note the five to three decision (Douglas, Black and Warren dissenting) which gave the states wide discretion in prohibiting union picketing.

Predictions are that the new session will be a stormy one, with decisions likely to have angry repercussions on Capitol Hill.

This, then, is the Court that in the 1957-58 term will deal with such business problems as: Can the Federal Trade Commission force a company to stop certain practices without forcing its competitors to do the same? Are the dual rate systems used by major shipping lines illegal? Do defendants in civil anti-trust suits have a right to see the transcripts of grand

Justices Clark and Burton, both Truman appointees, often unite in opposition to Warren group

Swing men on the Court are Justices Harlan and unpredictable veteran Frankfurter

Newest appointee, Justice Whittaker, not yet aligned with any group, but has conservative lower court record



affecting business on which the Supreme Court will rule:

● **Taxing US-owned land:** Can cities, counties and states tax property leased from the federal government by private companies?

● **Fair trade:** Can a discount house in a nonfair trade area use the mails to sell in fair traded areas?

● **Price discrimination:** Is good faith a defense for selling a commodity at lower rates to some customers than to others in an area?

● **Hot cargo:** Can employer and union agree that union members will not have to handle non-union materials?

jury investigations which did not result in the filing of criminal suits? Are hot cargo clauses in union contracts illegal? Can a discount house located in a nonfair-trade area sell by mail into fair traded areas?

Many of the cases before the Court involve disputes between government and business. Owners of a group of gold mines shut down by the government during World War II to conserve scarce materials and manpower want to recover tens of millions of dollars in damages. A private utility challenges the right of the Rural Electrification Administration to finance a co-operative's transmission lines in an area serviced by the utility. A group of motor carriers claims that peat moss, powdered milk, dried egg powder, frozen fruits and vegetables and buttermilk are agricultural commodities and, therefore, can be hauled without Interstate Commerce Commission licenses.

As this sampling indicates, the Court seems to be facing an ever increasing workload. Last year more appeals were filed than ever before—2,052 compared with 1,856 in 1955 and 1,566 the year before that. When the Court gets down to work later this month, it probably will have at least 500 cases already on its docket.

However delicately balanced its ideological orien-


tation and however heavy its workload, the present Court can be expected to do a minimum of issue ducking in the new term. It has been calling the shots as it sees them—and in the process has plunged itself into the most violent controversy encountered by any Supreme Court since New Deal days.

There are major differences, however, between the difficulties the Court encountered then and those it is encountering now. The basic difference, of course, is that in the 1930's the Court was under attack by those enraged over its refusal to rubberstamp New Deal programs; now conservative forces are most disturbed by its decisions.

Another difference is that in the early New Deal days, reaction to the Court's decisions took the form of attempts to change its make-up, culminating in President Roosevelt's court-packing scheme. Today the emphasis is on attempts to undo the Court's decisions—steps ranging all the way from simple congressional action to alter a specific law to the sweeping Southern doctrine of interposition applied to the school segregation decisions. A special House Judiciary subcommittee is currently studying what action is needed to negate court decisions, and administrative agencies and

(continued on page 116)

Planes' role in future defense



Analysis shows impact of missiles on industry

GUIDED MISSILES are not making the military airplane obsolete.

Although some types of aircraft will be phased out as missiles are added to the arsenal of weapons available for military security, the basic truth is that missiles will supplement rather than replace manned military aircraft.

An intensive inquiry covering the Pentagon, congressional committees and staffs, other mobilization agencies, key industry representatives and others who closely follow military affairs reveals:

► Both manned combat aircraft and guided missiles will continue to be produced and operated for at least 20 years—probably longer.

► The pressures will be for increased expenditures by the government, and increased demands upon American industry, as procurement requirements specify the need for new materials, new processes, and greater skills.

► Shifts will be less in total volume of procurement than in terms of types of air combat equipment. Within this framework some firms will lose out but most will hold their own or, over the long haul, improve their positions.

► The continuing premium on research and development will provide a steady market for process industries of high technological and management competence.

The feeling that the missile will replace the airplane as the auto did the horse has been intensified by recent Pentagon actions to stretch out production of most types of military aircraft, and by the trend in the past few years that has seen military aircraft decrease in num-

bers as their range and striking power improve.

On the other hand, such is the magic of the missile symbol that cancellations of certain missile programs, while hitting hard in the communities most affected, have not dispelled public awareness that the shift in emphasis is toward missile production. Any discussion of a guided missile is headline news; and the doings of the Russians have not lessened the idea that the missile is here to stay and the aircraft has had its day.

Actually it would be impossible accurately and effectively to program a shift from manned aircraft to guided missiles. Even if planned, it would require not less than 10 years. Too many constantly changing factors are involved, factors that change within themselves and in relationship to each other. They include:

1. Intelligence information on enemy potential

2. U. S. manpower availability particularly with reference to engineering and scientific skills

3. Technological progress in terms of breakthroughs required in such areas as solid propellants (fuels), new alloys including the cermet or ceramic-metallic combinations, and new design.

4. Tooling up for new-phased production

5. The uncertainties inherent in testing processes

6. Availability of procurement funds

7. Effect of rising costs

8. Politics

Actually, politics is the most uncertain factor in the entire military

procurement outlook. It precludes any true evaluation other than the certain knowledge that it will frequently slow up and seldom speed up a phasing-out operation. Politics takes four forms in this consideration: interagency rivalries between the three armed services; competition between Congress and the executive branch; the normal interparty (Republican vs. Democratic) struggle for office; and pressures from organized groups for continuation of existing programs.

Communities and industries which find their economic welfare closely intertwined with military production will want to consider some basic factors in the future combined role of aircraft and missiles:

1. We are now and, since World War II, have been constantly phasing out from one type of aircraft to a successor type. The historical ingredient has been the shift from propeller aircraft to the jet.

In this process the numbers of aircraft have dropped sharply, but the actual volume of procurement, expressed in terms of expenditures, and demands on manpower, materials, mill space, research and development, has tended to remain fairly constant or to increase. This has held true since Korea (1953). The authorities responsible for military security see no appreciable change in this outlook. They think in terms of not less than 20 years more of a cold war status, unless we have a third World War.

Expenditure levels, and thus procurement levels, although relatively constant in recent years, have been substantially less than the officials responsible for military security

would like to have them be. The limiting factors have been political (impact of military expenditures on the tax structure) and economic (impact of rising government expenditures on inflation).

2. The time lag factor in all phasing operations from one type of aircraft to a more modern type has generally been longer than anticipated. Propeller type combat planes have not been made for years, but the volume of procurement in replacement parts continues to be considerable. Most of our World War II bombers have been scrapped, but considerable numbers are maintained in standby condition for transport and related purposes. The B-36, long obsolete, is now regarded as having a potential for use as a drone in delivering atomic weapons. The B-36 will not again be built for this special purpose, but those in existence will be maintained for years with this potentiality in mind.

At least seven wings of the existing program calling for 128 Air Wings are composed of so-called obsolete aircraft, largely propeller types. Many of the 120 Jet Wings are only equipped on a skeleton basis. The drive to complete them will continue unabated for years as development work on missiles continues, complicated by the continuing requirement for new and more effective jet aircraft. All this suggests that manned combat aircraft will be produced for at least another 20 years—operated beyond that point. Manned jet aircraft for military transport purposes may never be a thing of the past.

3. Technological advances made in manned aircraft constantly change the thinking in terms of the potentiality of guided missiles.

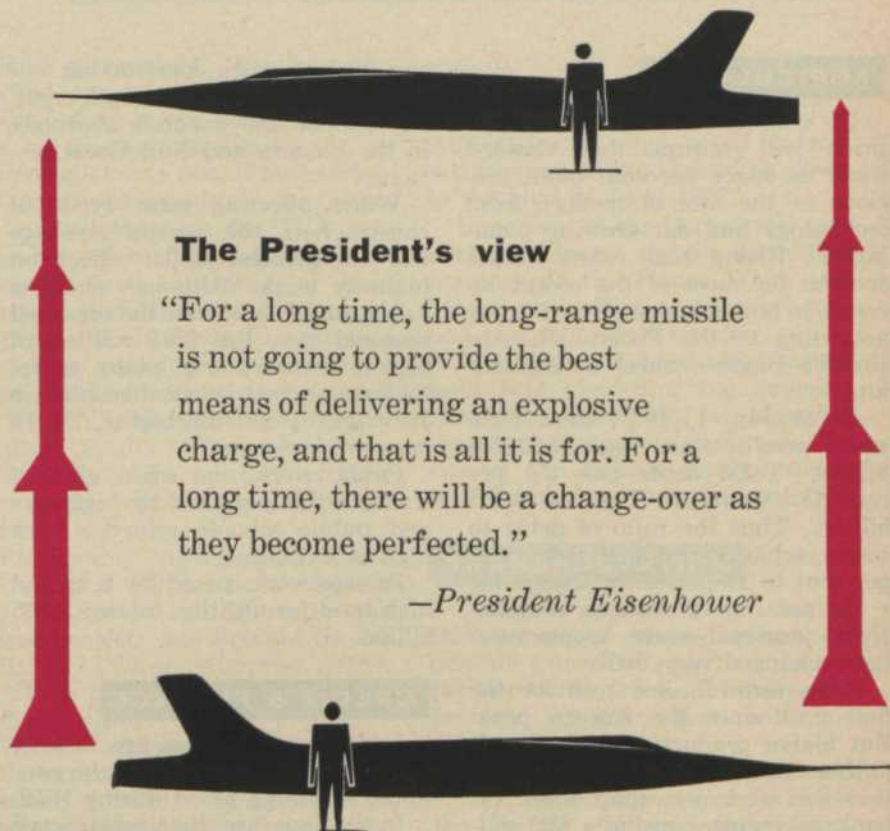
For example, the B-58 medium range fighter-bomber may offer a degree of effectiveness in delivering destruction upon an enemy that may not be possible in the guided missile field. Its speed (up to Mach 2 at sea level), its maneuverability (adapted to the new bombing techniques), and its dual purpose (the disposable belly capsule makes it both a bomber and a fighter) lend exceptional promise. The experts conclude its performance is limited only by heat. Statements made at the B-58 (Hustler) unveiling, by Lt. Gen. C. S. Irvine, Air Force Deputy Chief of Staff, reveal some of the opportunities in developmental work in connection with this plane alone that will be available to industry for some years. Spending restrictions notwithstanding, as the general stated, in order to raise speed by attaining higher temperature performance the Air

Force can afford to pay up to \$100 a pound for new materials and new processes needed for increased performance of the B-58 and the next family of aircraft and missiles. Specifically involved is work in metallurgy on titanium alloys, nickel, stainless, and tungsten steels.

4. Most short-term cutbacks in military aircraft procurement made to reduce expenditures take the form of stretch-outs. This has the long-range effect of prolonging the period of manufacture for manned combat aircraft. Meantime, even phased-out jets continue to be operational, and thus draw upon in-

than a battleship. Basic inaccuracies inherent in available maps complicate the problem. Launching of the man-made satellites may help, but this is still a relatively unknown factor. Greater accuracy is possible in the use of air-fired missiles. In air-to-ground operations the jet aircraft itself serves as a high powered rifle to aim and fire the weapon, its great speed and maneuverability permitting it to remove itself from the target area before the warhead is exploded.

Probable supremacy of certain types of air-fired missiles places a continuing premium on develop-



The President's view

"For a long time, the long-range missile is not going to provide the best means of delivering an explosive charge, and that is all it is for. For a long time, there will be a change-over as they become perfected."

—President Eisenhower

dustry for substantial maintenance and for modernization. The B-47, phased out to make way for the B-52, will be a hot aircraft for years.

5. Further to substantiate the conclusion that manned aircraft will continue to be a major factor, in military combat considerations, is the fact that air-fired missiles are now showing signs of becoming the more effective of the missile items. Accuracy in the use of an intercontinental ballistics missile is extremely hazardous. Even our amazing progress in electronic controls has not resolved the problem of controlling from home base a missile flying at supersonic speeds, miles above the earth, and thousands of miles away. A split second in timing can mean a wide miss with a weapon that may cost more to make

ment of manned combat aircraft. A prevailing view among top officials responsible for air research and development work is that the cycle of development will see the guided missile phased through to the manned-missile, at least to the extent of the missile being aimed, fired and controlled by a manned combat aircraft.

6. One positive policy conclusion is that there is no such thing as an ultimate weapon. No responsible official now involved in programming for future national security accepts the dream of a strictly push-button war. This means that there is no such thing as the attainment of a status quo in which the ultimate weapon has been identified, thus permitting reduced military
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HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

In coming months farm land prices will continue their upward trend as space becomes more precious in the face of modern farm technology and our growing population. Rising real estate values account for most of the recent increase in both farm assets and debts, according to the Federal Reserve Board's Balance Sheet of Agriculture.

As of Jan. 1, 1957, total farm assets were at a new peak of \$176.8 billion. Total debts rose 3.1 per cent to the record high of \$19.5 billion. Thus the ratio of debts to assets actually dropped from 11.2 per cent to 11 per cent. Except for a six per cent growth in cooperatives, non-real-estate assets and debts changed very little.

Gross farm income rose for the first time since the Korean peak. But higher production costs for all purchased items except lime, fertilizer and seed more than offset soil bank payments, causing a \$66 million decline in net income.

Farmers still improved their purchasing power by liquidating \$470 million of crop and livestock inventories. Accordingly, realized net income of farm operators climbed nearly 10 per cent to \$12.1 million.

Income from nonfarm sources continued its growth to the new high of \$6.7 billion in 1956, or 42 per cent of the total net income from agriculture.

CONSTRUCTION

New construction in the first eight months hit a record \$30.5 billion which on a seasonally adjusted annual basis is at a rate higher than expenditures in 1956.

The value of new construction put in place in August reached an all-time high of \$4.6 billion. This contrasts with the less than seasonal

rise in July when construction was hampered by work stoppages creating cement and concrete shortages in the Eastern and Gulf Coast sections.

While affecting most types of construction, the cement shortage had its greatest dollar effect on highway work. Although showing substantially less than the expected seasonal rise, the \$545 million of highway work put in place, nevertheless, reached an all-time high in July and went still higher, by 14 per cent, in August.

Public work, the main area of strength this year, led by highways and public schools, scored a new high at \$9 billion.

Private work, paced by a record high level for utilities, totaled \$21.5 billion.

CREDIT & FINANCE

Lending institutions are looking toward auto sales for hints of a consumer spending mood during 1958.

Indications are that most retail sales will continue strong through December and incomes will be near peak levels through the last quarter of 1957.

Spending for private plant and equipment may well continue to level off, and federal defense orders are expected to be held at established levels.

State and local government spending for roads, schools and other public projects are expected to increase steadily.

Trading in bonds may be light and the market thin with other government securities holding fairly firm.

Reserve Board Chairman William McC. Martin's testimony to Congress that interest rates may be leveling out lends further credence to the belief that we may be nearing the end of the bear market in bonds.

DISTRIBUTION

Business in distribution continues to hold firm on a high plane, despite variations among some lines.

Retail dollar sales volume for the first half of 1957 touched a new peak of \$95.3 billion, according to the U. S. Department of Commerce. This is 5.2 per cent above the same period last year.

All major segments of retailing exceeded their year-ago figures except lumber, building and hardware dealers.

Consumer buying is still high. But more dollars are needed to buy the same amount of goods and services. Consumer expenditures for goods and services of all kinds reached an annual rate of \$277.8 billion in the second quarter, 4.8 per cent over the same period of record-breaking 1956.

Although sales are up, retailing's cost-price pinch plus intense competition have made it tough for profits to keep pace.

Caution is the keynote to wholesale inventories. Retail inventories are rising in view of autumn and Christmas trade.

Expectations are that pre-Christmas sales will edge last year's record by a hair.

FOREIGN TRADE

The twelfth session of GATT, which begins in Geneva Oct. 17, will consider problems of the countries taking part in the development of a European Common Market and Free Trade Area. The Common Market Treaty, designed to make France, Germany, Italy and Benelux (Holland, Belgium and Luxembourg) into a Common Market, provides for gradual elimination of tariffs and import quotas within this Common Market over 12 to 15 years.

Tariff restrictions on goods going into the free trade area could make it difficult for American manufacturers to share in this mass market. However, many believe that imports of manufactures from the U. S. A. will increase as European industries, supplying a mass market, will need more American industrial machinery. Some American companies, seeking to offset some of the trading difficulties, are negotiating for actual plant operations within the area.

GOVERNMENT SPENDING

This is an important month in federal budgeting. Basic decisions will be made as the Bureau of the Budget examines government agencies' 1959 budgets. Indications point to a tougher approach to budget review. The stakes in election year—when the budget will have to be presented—are high.

Adding to normal difficulties is the excessively high rate of expenditures in the current fiscal year. Despite Administration attempts at control, withdrawals from the Treasury exceed those for the same period last year by more than \$2 billion. The budget deficit is running about \$1 billion more than last year.

Important changes will be reflected in the fiscal 1959 budget as a result of meeting of Joint Federal-State Action Committee Oct. 4.

The Joint Committee is expected to firm up recommendations for turning back functions to states. The budget will significantly omit these—including some of the more controversial programs. Changes in tax sources will also follow, but will take congressional action.

LABOR

The action Congress takes next year to curb the abuses uncovered in the labor field by the McClellan Select Committee will depend in great part on the state of public opinion that congressmen and senators find in their home areas.

The big problem is the almost total lack of power that rank and file members have in controlling the affairs of their union.

Unless the internal affairs of unions are to be strictly controlled, many say that the only alternative is repeal of the Taft-Hartley and Railway Labor Act provisions which permit membership in a union to be forced on unwilling employees—in effect, enactment of a national right to work law. Making membership in a union a purely voluntary undertaking, they say, will return power to the membership.

NATURAL RESOURCES

Look for new legislation in the next session of Congress to permit local ownership and operation of public works projects built by the



ROTKIN—P.F.I.

federal government. A plan being worked out in Senate offices may affect federal power dams and similar tax-financed facilities.

Pennsylvania's Sen. Edward Martin mentioned the idea in the course of Senate debate on the TVA revenue-bond financing legislation. He said: "It is the intention of some senators between now and Jan. 1 to prepare a bill having the purpose of taking out of the hands of the United States various projects such as the TVA, so that they may be financed locally. Then we may be able to apply the proceeds of their sale to the reduction of the public debt."

Presumably, the legislation would permit local authorities to buy out the federal interest in water and power projects and operate the facility as a local enterprise, either public or private. It will encounter stiff opposition.

Ways to replace federal financing with local financing will appeal to economy-minded legislators and others who believe the federal government should not compete with private industry.

TAXATION

Jockeying on both sides of the political fence in recent weeks indicates a real fight may be building up for next year over who gets the credit for a tax cut.

Sen. Harry Flood Byrd, Virginia Democrat who heads the Finance Committee, has said that Congress chopped \$6.5 billion from appropriations this year. In his opinion if this reduction can be carried through to actual spending and revenues hold up, the surplus would permit a \$4 billion tax cut and a \$2 billion payment on the national debt.

President Eisenhower, however, told a press conference that actual savings accomplished by the legislative branch totaled \$1 billion or

less, that many of the so-called reductions in appropriations were only bookkeeping changes. The Administration has urged federal departments to hold spending down to the level of fiscal 1957.

Important to the Democratic tax-cutting strategy are the scheduled hearings of the House Ways and Means Committee to consider general tax policy and revision.

Meanwhile, behind the scenes both Administration and congressional tax experts will be refiguring income and outgo to determine the size of the budget surplus which would make tax reduction possible.

TRANSPORTATION

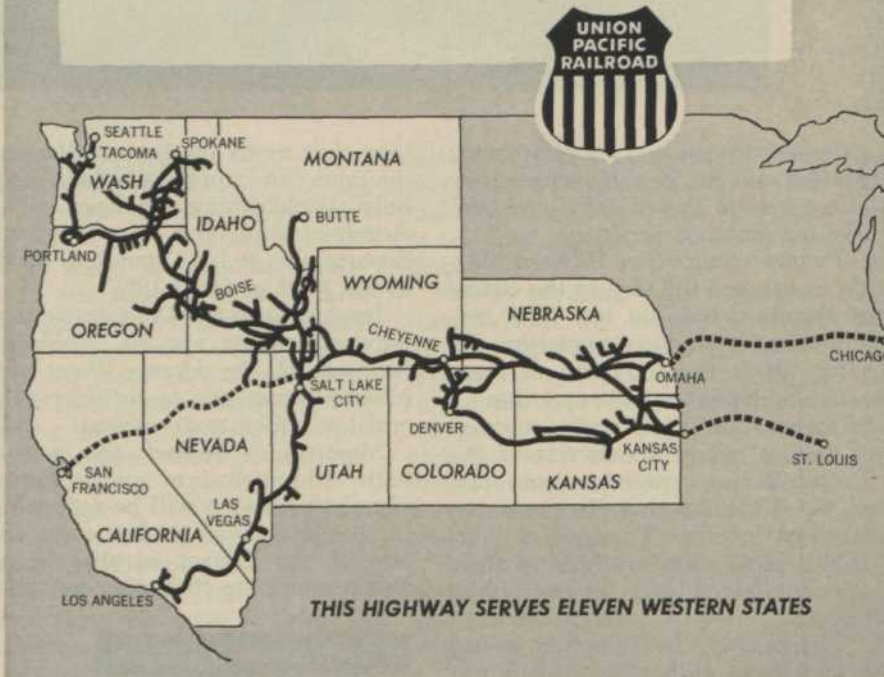
Congress appears to be sharing the concern of many businessmen over the growth of government competition with private business, especially in connection with air transportation.

In its report on the Department of Defense Appropriations for 1958, the Senate Appropriations Committee charged that the Military Air Transport Service (MATS) had failed to make sufficient use of commercial airlines.

Accordingly, the committee ordered MATS to double its use of commercial air carriers in overseas traffic during fiscal year 1958. The conference committee upheld the Senate action.

On the heels of this rebuke came word that the Senate Interstate and Foreign Commerce Committee planned to look into operation of the military's air and sea transport services to determine if either exceeds the scope which Congress intended. The committee will also check on costs, efficiency, tax loss and greater use of commercial lines. The House committee announced it also will study the MATS operation. The actions may slow down the recent rapid MATS expansion.

**HERE IS THE "HIGHWAY"
BUILT AND MAINTAINED
ENTIRELY BY
UNION PACIFIC FUNDS**



Union Pacific tracks, shown in solid black, total more than 9,000 miles. (Dotted lines represent connecting railroads.)

During 1956, more than 57 million tons of freight were hauled over this system of steel rails.

**IMAGINE THE TRAFFIC CONGESTION
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Idaho; Price Daniel of Texas; James P. Coleman of Mississippi; Dennis J. Roberts of Rhode Island; George M. Leader of Pennsylvania; George Docking of Kansas and William G. Stratton of Illinois.

The congressional subcommittee meanwhile plans to hold meetings around the country this fall.

All this interest in the subject is a healthy sign, but past and present evidence is that only active citizen support of the President's plan will persuade the states to give up their federal money.

Senator Humphrey of Minnesota, presenting a typical northern Democratic liberal view, told the Senate recently that "Nothing can possibly come out of a new study, as proposed by the President, except perhaps proposals for the federal government to get out of the welfare field, turning the clock back 50 years and leaving the great majority of the people of this nation without adequate consideration and without provision for their needs."

A young Republican congressman who has been studying the subject, Rep. Peter Frelinghuysen of New Jersey, questions whether the states are "ready, willing and able to pay the price required for decentralization."

He argues that only a few states give their governors sufficient power to govern effectively, that the taxing and fiscal systems of most state governments need to be modernized, that cities must get more power in state legislatures, and that other problems must be solved.

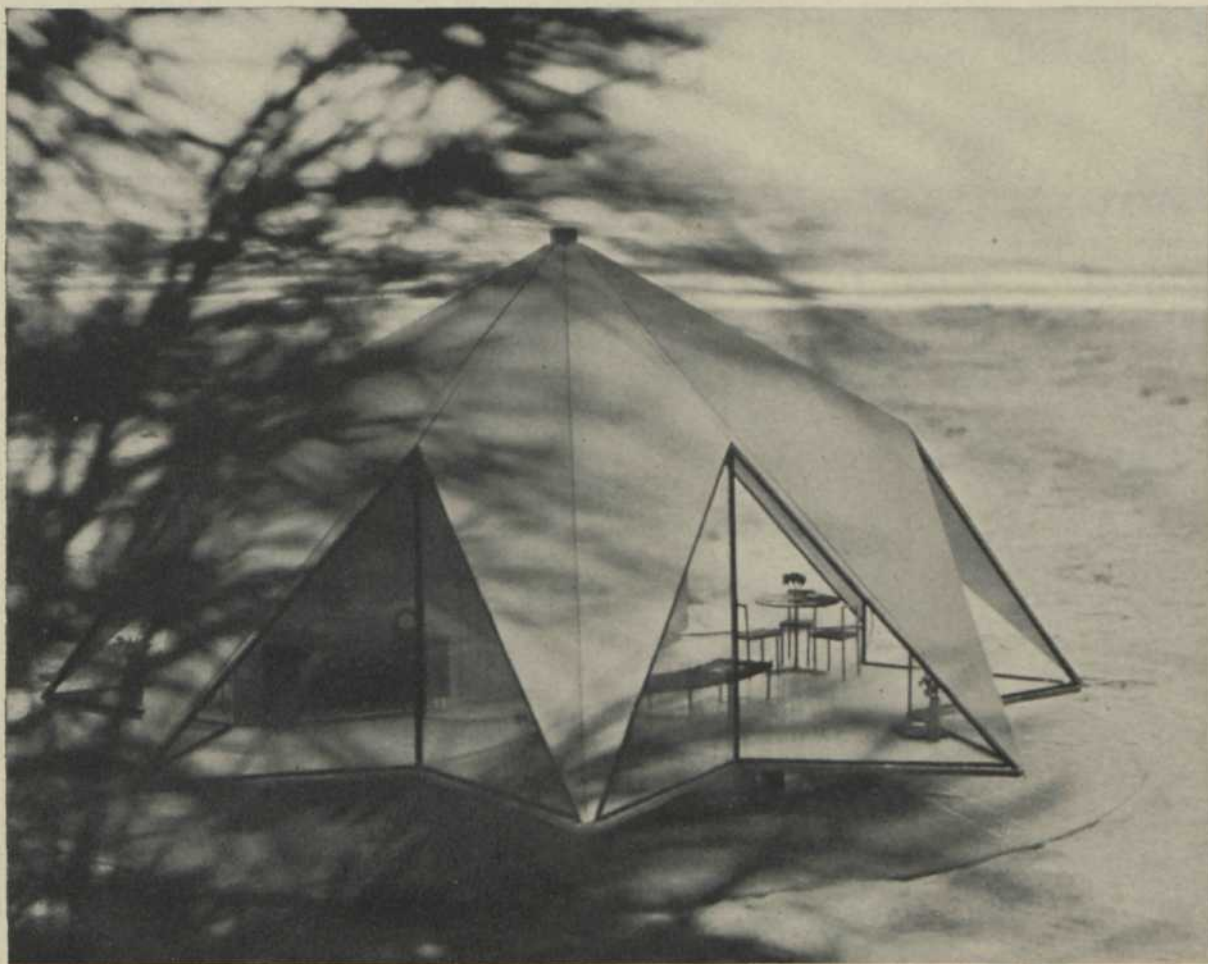
Indicative of the problems ahead are the replies received by Representative Pelly, Washington Republican, when he asked governors their views on his proposal for a House-Senate Committee to study the possibility of the federal government giving up some programs and some tax sources.

Several of the governors indorsed the general idea. Gov. Milward L. Simpson of Wyoming declared that "federal aid actually means we raise our taxes to send our money to Washington; then raise some more taxes to match the amount we have already sent to Washington in order to get back the amount we originally sent—less, of course, an additional 40 per cent cost of administering federal controls."

Gov. Thomas B. Stanley of Virginia wired that he was "in full accord with the objective of encouraging the federal government to relinquish our tax sources which

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BIG GOVERNMENT

continued

could be more properly and effectively used by the state governments in providing needed services."

Wisconsin's Gov. Vernon W. Thomson said: "Wisconsin has long subscribed to, and practiced, the principle that government functions are carried out most effectively and efficiently when they are controlled and financed by units of government closest to the people."

But Governor Dwinell of New Hampshire said that while he agreed in principle, "in practice, I question the ability and willingness of many individual states to raise through taxes on their own initiative the funds which public demand at present indicates we should spend in these fields."

Gov. Edmund S. Muskie of Maine said: "States like Maine are not and would not be in a position to tap many revenue sources available to the federal government even though the federal government should withdraw from them. I suspect that a wholesale withdrawal by the federal government from all grants-in-aid programs might, as a consequence, result in a lower level of service if not complete abandonment of many programs in many states."

Gov. A. B. Chandler of Kentucky observed that "many problems are inherently national problems or have national impact. In certain areas the federal grants-in-aid appear to come under the best available devices for providing money and still maintaining a role for state government."

Florida's Gov. Leroy Collins said: "My own feeling is that there have been few invasions of states' rights by the federal government except where the states have failed to meet their full responsibilities to their people."

The replies of the state and local officials to the Fountain subcommittee questionnaire similarly revealed the troubles the federal-state task force faces.

Some of the officials said they felt states and cities could do more, but added that this always depends on the states and cities getting more tax sources.

As Governor Simpson put it: "For such an arrangement to be palatable to every state, no state must be handed functions to finance which would cost more to replace than would be gained in federal tax sources relinquished. For this to be possible, the federal government must relinquish more tax sources



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BIG GOVERNMENT

continued

than the cost of the functions turned over to the states because of the number of states that now receive more in grants than is their tax share of the total federal grants-in-aid burden."

(The Kestnbaum Commission, named by President Eisenhower in 1953 to study the entire field of intergovernmental relations, expressed the same thought in its report in 1955: "Any general or selective reduction or repeal of federal grants coupled with an equivalent reduction in federal taxes would intensify the fiscal problems of the lower-income states, which would lose far more in grants than they would gain in taxes. On the other hand, a cut of sufficient magnitude to indemnify fully every state would result in a total loss of federal revenue that would far exceed the grant reductions.")

Many other governors replying to the Fountain subcommittee made it plain they thought it was wrong to look for much change.

Gov. Averell Harriman of New York not only defended the present programs but said he was "concerned by the failure of the federal government to act or to act broadly in certain areas, including slum clearance and housing, health and mental health, improvements in social security coverage and benefits, adoption of federal standards for unemployment insurance, federal minimum wages, etc."

Any reduction in federal aid for public assistance or highway programs, said Governor Stratton, "would create a serious budgetary problem." At another point, he declared: "There are no (grant) programs as to which curtailment or elimination is something I would suggest at this time."

The replies to the Fountain subcommittee survey were even more revealing when they got down to specific programs. There were many suggestions for ways to improve administration of grant programs—make the money available further in advance, reduce federal supervision or at least make it more flexible, use broad-purpose grants instead of narrowly specific ones, have federal decisions made more quickly. But the views were one-sided in favor of continuation or expansion of the basic grant programs. Here is a sampling of replies:

Health: "Programs are inadequate in all instances and need expansion."
(continued on page 54)



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Ted: It's no skin off my nose, Joe. But it looks pretty bad.

Joe: You're my executor, Ted. Execute!

Ted: It's not that easy. You didn't leave much in the way of liquid assets, you know.

Joe: Get a loan from the bank, man!

Ted: Things have changed. It's hard to get hold of that much money these days.

Joe: But I left a thriving business.

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Ted: Business insurance, Joe.

Joe: I heard you, Ted.



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BIG GOVERNMENT

continued

sion," declared Alabama's Gov. James E. Folsom. "It requires federal assistance to inaugurate and pioneer programs and show their value to local communities."

The Connecticut Commissioner of Health reported, "No suggestions are made as to elimination or sharp curtailment of existing intergovernmental programs or activities." Nebraska's Governor Anderson said "assistance in the general health program might well be expanded, with resulting improvement in the quality and quantity of health services to the people of our state."

North Carolina listed half a dozen recommendations for expanded or new health aid programs.

"The construction of medical centers is vital to large industrial areas," wrote Mayor Leo P. Carlin of Newark, N. J. Declared the Columbus, Ohio, Planning Commission: "Programs inadequate and should be expanded." Mayor Frank P. Zeidler of Milwaukee reported that "the shortcomings of this program can be corrected by a substantial increase in the level of appropriations made by Congress."

Public welfare: "The present balance of costs in public welfare is fair," commented Maryland's Governor McKeldin. "The responsibility could be turned over to the states and their civil divisions only after revolutionary adjustments of tax sources."

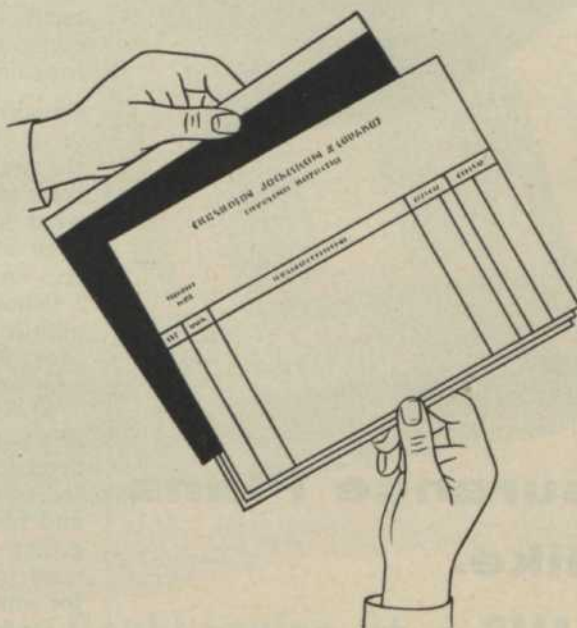
The Missouri Director of Welfare reported that "It is our belief that the federal-state program of public welfare should be expanded to include federal financial participation in the general relief program which would enable the states to extend assistance to more needy persons, as well as provide for higher benefit payments."

Tennessee answered that the federal programs in this field "have been salutary in providing for needs which the local and state governments could or would not have been able to provide without demonstration of their value, supplementation of funds, and tying standards of administration and service to the allocation of funds. The most noticeable evidence of need for these values inherent in grant-in-aid programs for welfare purposes is the present uncoordinated, and often ineffective, activities presently diffused in state and local efforts to deal with problems of juvenile delinquency causation and control."

Officials of a dozen other states

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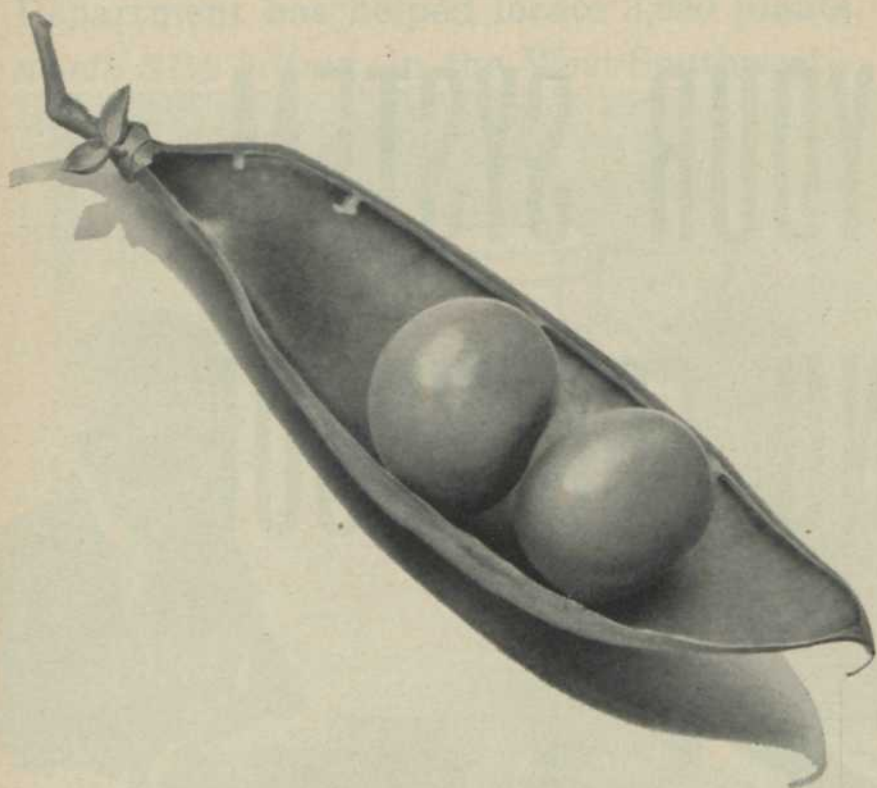
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BIG GOVERNMENT

continued

and many city and county groups voiced identical sentiments.

Highways and airports: Replies were unanimous for bigger federal roadbuilding outlays. These were put together before last year's big highway aid bill, but many of the replies indicated they favored help beyond the amount ultimately provided by that bill.

"Federal airport aid activities have been inadequate for the past 10 years, and should be greatly expanded," Chicago Public Works Commissioner George De Ment declared in a typical comment on the airport program.

"Program should be expanded, with larger portion of the cost borne by the federal government," agreed Columbus. "Federal aid to airports should be expanded immediately to meet tremendous increase in air commerce," Miami County Commissioners reported.

Housing: Walter H. Reynolds, mayor of Providence, R. I., wrote that the public housing program "has been of great benefit. I should not want to see this eliminated, nor in view of the need, would I like to see any considerable curtailment. I believe there is definite need for adding to the program adequate provisions for housing of single persons and the aged."

Mayor Raymond R. Tucker of St. Louis said, "There is urgent need for a program of housing for the aged, housing for single persons, and housing for the middle income groups. There is also an urgent need for the provision of financing for minority housing."

Declared Thomas P. Bryan, then mayor of Richmond, Va.: "This has been a most helpful program and should be continued."

Civil defense: "The states do not begin to have the financial resources necessary to undertake realistic preparation for civil defense, including the probable necessity for extensive shelter programs," declared Governor Harriman. "Only the federal government has these resources."

"Increased financial assistance should be provided in consideration of the national interest," Los Angeles officials asserted. "Should be expanded," agreed Birmingham. "More federal control and assistance is necessary."

Evansville officials declared that "civil defense should be greatly expanded. In many communities an

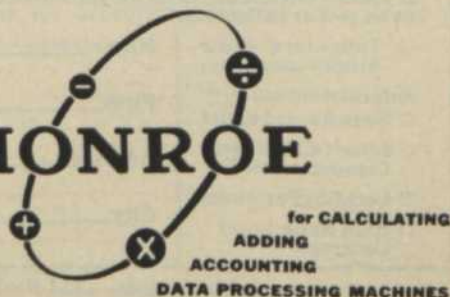


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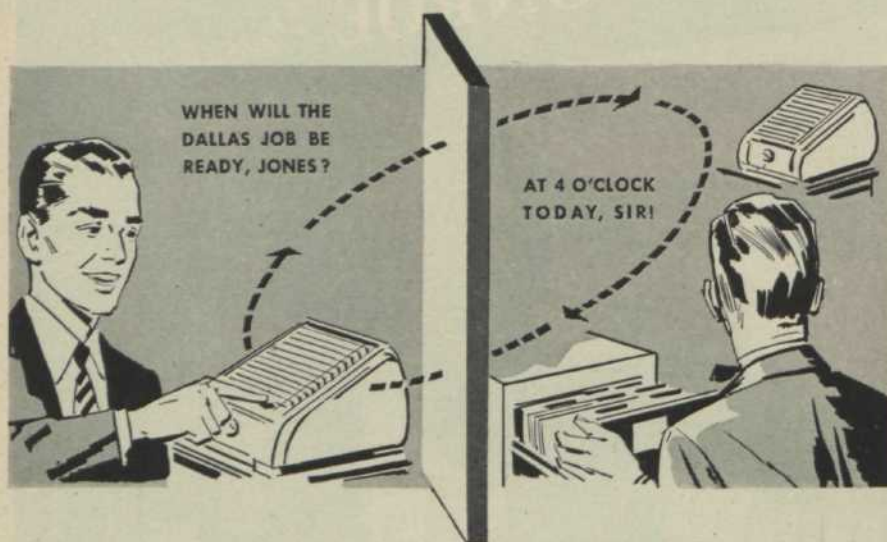
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BIG GOVERNMENT

continued

adequate civil defense cannot be sustained nor supported by local funds. The federal government should make money available to these locales. Said Newark Mayor Carlin: "It is becoming fairly obvious that if our defense program is to amount to anything, the federal government will have to absorb most, if not all, of the cost."

Schools: The greatest amount of opposition to any federal grant program was expressed on school aid. But quite a few supported it. Mr. Harriman said, "The school problem is by its very nature a national problem. The only way to move promptly and effectively to overcome this problem is through a system of federal grants." Gov. Harriman takes this position despite the fact that under the proposed school aid program New York would have paid twice as much as it got back from the federal government.

Michigan Gov. G. Mennen Williams urged federal spending of \$1.5 billion a year in this field.

The attitudes revealed in all these answers may be what made Republican Congressman Robert W. Kean of New Jersey feel that "this was where I came in."

Mr. Kean, a member of the House Ways and Means Committee and a long-time student of this field, recalled that in 1947 he was chosen by the committee to meet with a group of governors on tax problems.

"The governors were united in favor of the federal government giving up some of its tax sources," he recalled. "However, the majority would not agree to give up any of the funds supplied by the matching programs, nor would they promise not to ask for even more money. They wanted Congress to act first without any firm promises of action on their part. Nothing was accomplished except talk."

If anything is to be accomplished, Mr. Kean says, "the attitude in the various state houses must change. All of us in Congress keep getting constant requests from our state capitals for more federal largess."

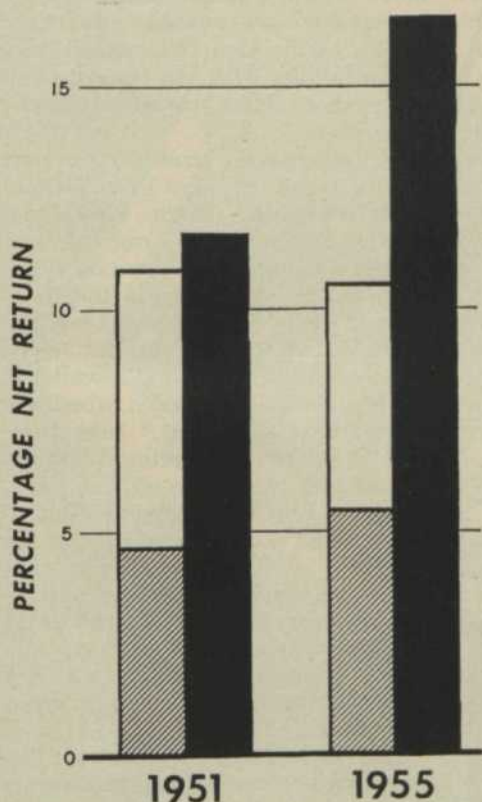
Mr. Kean says he feels the President was right to propose a new study, "but I am afraid that to hope that anything will come of his suggestion in the foreseeable future is illusory—unless there is a sharp change in attitudes at the local and state levels of government, either a voluntary reversal or one through force engendered by solid and sustained citizen-action in support of the President."

END

Four facts manufacturers should know about plants and profits in Puerto Rico

American industry has built over 450 new plants in Puerto Rico during the past six years. Some have actually tripled their normal profits. Here are some reasons why U.S. manufacturers are doing so well in Puerto Rico.

1 AVERAGE NET RETURN ON SALES IS 3 TIMES AS HIGH AS IN THE U.S.



Why your return on sales is higher in Puerto Rico. Production costs are unusually low in Puerto Rico. Hence your net profit from a new plant can be dramatically increased. A cost study made for one manufacturer showed that his net unit profit of \$4.04 from a U.S. plant would rise to \$14.08 in Puerto Rico! Look carefully at the chart.

2 Freight rates to the U.S. are low. Over ninety per cent of Puerto Rican products are sold in the United States. Money, people and goods move as freely between Puerto Rico and the U.S. as between the States of the Union. Freight costs are low and there is no duty on trade with the U.S.

3 Abundant, skillful labor. Puerto Rican workers have reached remarkable levels of productivity. Such diverse companies as Remington Rand, Union Carbide Corporation, St. Regis Paper, Beaunit Mills and Univis Lens are already running successful plants. The Commonwealth will train workers especially for your operation.

4 Modern plant buildings—ready to occupy. You could move into one today. Dependable power, at reasonable rates, is waiting to be connected. Rents are low and the Government can arrange favorable financing. Currency is the U.S. dollar. A common legal system ensures that all your interests are protected by both the Commonwealth and U.S. Constitutions.



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How taxes will be cut

Outlook for relief is revealed by congressmen who write tax laws

IN PLANNING for tax relief next year, Congress undoubtedly will be guided by the philosophy that half a loaf is better than none and business will have to wait for its share.

Though a congressman's fondest wish may be to serve up a generous \$7 to \$9 billion tax cut to everybody—business as well as individuals—only the most optimistic sees this big a cut as faintly possible next year. If only half a loaf is available, Congress will give most, if not all, of it to the individual taxpayer where it can serve as campaign fodder in an election year. Such a selective cut is probable even though Admin-

istration officials and some congressmen have urged that no tax cut be made until it's large enough for everybody to get a good slice.

NATION'S BUSINESS interviewed some of the most influential members of the tax-drafting House Ways and Means and Senate Finance Committees to learn the sentiments of Congress and pin down the prospects of tax legislation next year.

Though nobody will know for sure until Congress passes and the President signs a tax bill, tax relief totaling \$3 to \$4 billion seems likely. It could include these proposals:

► An increase in the amount of per-

sonal exemption from \$600 to \$700.

► A reduction to two per cent from the present three per cent excise tax on the transportation of property, plus some other more technical changes.

► Possibly more leeway for small businesses in the depreciation rules, new deductions for capital investments or permission to spread payment of estate taxes over several years. But any of these changes would be only peanuts, according to one Ways and Means member.

Chances are slim that even the crumbs will be left for the big corporation or the taxpayer in the high brackets. Only if the economy surges upward to produce much higher revenues and Congress and the Administration find some way to slash spending and appropriations in the months ahead will a big tax cut for everyone be in sight.

This is the clear impression you get in talking with key congressional tax men. Here are some sample comments:

"I imagine no sizable reduction will be possible," says Rep. Wilbur Mills, chairman of the Ways and Means Subcommittee on Internal Revenue Taxation. "Some or all of any tax cut would go to the individual," he adds. "We won't be able to do all we want to do, but selective reduction might be possible."

"We should cut taxes when we can make a large cut," says Rep. Daniel A. Reed, ranking Republican on the House tax-writing committee. "I'm still hopeful, but I don't think a lot of relief can be given."

Since members of both parties will try to get credit for tax reduction before the 1958 election campaigns, Congress probably will not wait past next year to grant some reduction.

Both the Administration and the Democratic congressional leadership have indicated they'll try for tax cuts next year. The Budget Bureau has told all federal agencies and departments to hold spending in the current fiscal year to the \$69 billion paid out last fiscal year, rather than spend the \$71.8 billion the Administration last January estimated it would need. And President Eisenhower has said that, even though congressional economies were not impressive this year, if revenue rises in the months ahead, and some "possibly even foreseen" savings are made, "you want to give a tax cut if you can."

The Democrats have set broad-scope tax hearings to start as soon as Congress convenes in January.

Many members, both Democratic and Republican, are predicting the



"Revision of the transportation excise would benefit everybody"

*Rep. Aime Forand
(D-R.I.)*

"I don't think a lot of relief can be given"

*Rep. Daniel A. Reed
(R-N.Y.)*



"Any reduction will give emphasis to the individual"

*Rep. Wilbur Mills
(D-Ark.)*





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TAXES WILL BE CUT

continued

economy push, which brought some whittled-down appropriations the first session, will continue into next year. The fact that Congress has made no sweeping changes in the tax laws since 1954 also would point to action next year.

However, on the other side of the coin, if higher costs and broadened federal programs force spending up next year or the economy dips and unemployment rises, the prospects of a budget surplus would dwindle. Few lawmakers would vote for tax cuts without at least a small surplus in the federal budget, unless a recession should influence Congress to give tax relief in order to pump more consumer dollars into the nation's economy.

The world situation too, at any time, could force increased defense spending. The announcement by the Soviet Union that it has an intercontinental ballistic missile, for example, might make Congress seek a change in the decision to hold defense outlays to \$38 billion this fiscal year and next.

Inflation worry also has many a congressman wondering whether any sizable cut in taxes might not add fuel to the rise in prices and costs.

"The whole question of a tax cut," remarks Sen. Edward Martin, ranking Republican on the Finance Committee, "depends on how much surplus is in the budget. The first thing to do is to cut the public debt—the most dangerous threat to the American people—in order to help fight inflation." He added: "There must be at least a \$5 billion surplus before we can talk about a tax cut."

The chairman of the Finance Committee, Sen. Harry F. Byrd, calculates that, if spending can be held down, the budget for next year might show a \$6 billion surplus. If that happens, he says he would favor putting \$2 billion of it into reducing the federal debt and \$4 billion in tax reduction. This proposal, hopeful as it sounds, is less optimistic than that the senator held out last spring when he suggested paying off \$2 billion of the national debt and giving individuals and business a \$6.5 billion tax cut, if spending was restricted.

The bipartisan Fiscal Policy Subcommittee of the Joint Congressional Economic Committee last June advised that, barring an economic downturn, tax reductions for fiscal 1958 "should be based on realization of substantial—\$3 billion to \$5 billion—reductions in the year" if

renewed inflation is to be avoided. And "any modest surplus" should be applied to debt retirement.

Representative Mills, who is also chairman of this subcommittee, told **NATION'S BUSINESS** that the findings of this unit will help guide the Ways and Means Committee.

Mr. Mills explained also that the Ways and Means Committee hearings set for next January don't necessarily mean a reduction for everybody. "Taxes should fall neutrally between the consumer side and the investment side of the economy," he said. "The 1954 Internal Revenue Code," he added, "was primarily to stimulate investment. The January hearings will look into whether the investment or consumption side should now be stimulated."

He said the sentiment of the tax-writing committees seems to be for increasing individual exemptions if only about \$3 billion in excess revenue is available. "Any reduction," he said, "certainly will give emphasis to the needs of the individual and small business, if tax reduction can be provided."

Key members of the tax committees agree that the idea of raising the personal exemption is most popular. For instance, Rep. Richard M. Simpson, a high-ranking Republican on the Ways and Means Committee, predicts flatly:

"The exemption will be increased."

A \$100 boost in the exemption would cost \$2.8 billion and would remove about 4 million persons from the federal income tax rolls.

Because it would relieve so many families of income tax responsibility, some members of Congress hesitate to favor the proposal. Others, among them Ways and Means Democrat Aime J. Forand, say these people would still pay excise taxes and state and local taxes.

Representative Forand will have much to say about changes in excises, another tax area where revision is likely. He heads the Ways and Means Subcommittee on excise levies. He says his subcommittee probably will recommend a batch of technical changes to the full committee next January and "I hope there will be rate revisions at that time too."

He acknowledges that a one per cent cut in the tax on transportation of property is under study. He thinks an adjustment in this levy would benefit the individual taxpayer because the levy is passed on to him, he said. The current tax is three per cent of the price paid for transportation of the freight. The carrier collects the tax but the

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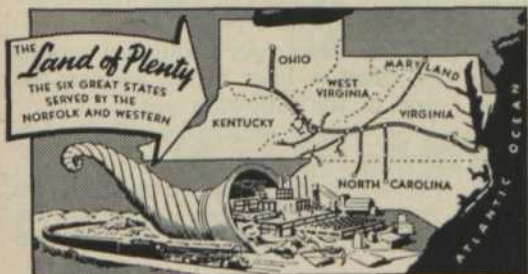
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TAXES WILL BE CUT

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shipper pays. It brings in \$450 million a year.

Sen. George Smathers, a member of the Finance Committee, opposes the tax. He says it encourages tax dodging.

An unscrupulous trucker, for example, will arrange to take title to a shipment for a brief period. Then, because there is no tax if the owner hauls the freight himself, the excise is avoided. Senator Smathers indicates, as do other members, that if any excise is lowered or repealed, this one will be.

The third area where tax relief stands a good chance is the nebulous field known as small business. The President has made specific recommendations for relief. They include reducing the corporate rate from 30 per cent to 20 per cent on the first \$25,000 of taxable income, allowing fast depreciation on purchases of used as well as new property, letting little corporations be taxed as partnerships and permitting estate taxes to be paid over several years in some cases.

The Senate Small Business Committee plans to conduct a series of hearings on tax problems of small business this fall. Senator Smathers, a member of that committee as well as the Finance Committee, told NATION'S BUSINESS the only way to help small businesses is to let them retain some of their earnings so they can expand. Maybe this can be done, he said, by letting the small businessmen deduct the amounts that they spend for capital investment.

"Reducing the corporate tax won't help," he said. Other members of the tax committees also oppose any change in the corporate rate to benefit the companies with small earnings.

"This just penalizes growth," said one member. Other members point out that any change to help small enterprises should help partnerships and proprietorships as well as corporations.

Proposals to increase the corporate rate for large companies or to enact a graduated tax have won little favor in Congress. "There is no possibility of a graduated corporate rate being passed," said Representative Mills. Other tax-writing members agree. "It would ruin small business," according to Representative Reed.

But there is also little chance of a drop in the present 52 per cent rate corporations pay on their income over \$25,000. "Cutting this

tax would be the biggest help business could have," Senator Martin remarked, "but I doubt if it will be cut next year." The tax must be extended by next July or it automatically drops to 47 per cent, a \$2.1 billion savings for corporations. Most members feel it will be extended.

A tax idea that could catch the imagination of Congress next year is being quietly talked about on Capitol Hill. Under this plan a full-blown tax relief measure of \$7 to \$9 billion would be enacted next year and be made effective over a three year period.

The political appeal is obvious. It could be talked about during the campaigns as a big cut, but since it would only cost a few billions of dollars each year, no one could charge its supporters with fiscal irresponsibility.

Prominent members of the Ways and Means, however, believe it is unlikely that Congress would go for this proposal. For one thing, the lawmakers would hesitate to try to commit future Congresses to a proposal dependent on unknown future revenues. Also if such broad relief were planned, many members would want to close loopholes and "do away with sacred cows at the same time."

This would take a year or so of study, one member said.

Another tax cut proposal that some members think has a fair chance is a percentage reduction in the income tax.

Representative Simpson, for instance, believes that a five per cent reduction in each income tax rate across the board could be granted in addition to a \$50 or \$100 personal exemption.

He said such a reduction in rates would eventually mean increased business and increased federal revenues produced by the business "because capital will be freed for investment. Increasing the exemption by itself means only a little more spending money. It won't buy stocks and provide risk capital that is needed in an expanding economy. I think it's more important to provide jobs than a little spending money," he said.

Few members believe that a tax cut could be effective before next July 1, the start of fiscal year 1959. The prediction from several members is that any reduction would be effective later in the year or the first of the following year.

"If it isn't effective until the following January," said one senator, "it won't look like we're trying to buy votes with a tax cut before the election."

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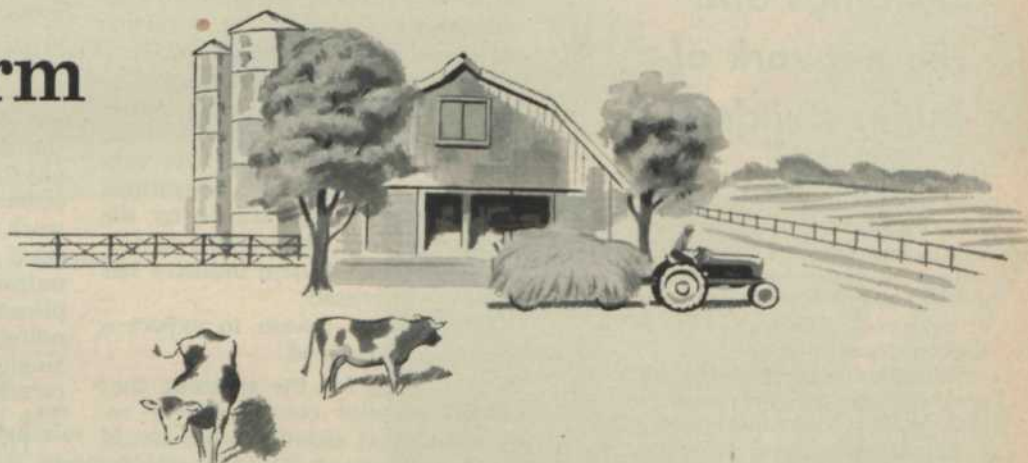
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PLANES' ROLE

continued from page 43

procurement schedules based on the assumption that research for and development of new weapons is no longer necessary. It also means that research and development will continue to be a never ending process. This fact alone assures a future for the efficient process industry.

7. Even if the guided missile could become the ultimate successor to all manned aircraft, the volume of procurement required to produce it in sufficient numbers, and to maintain and operate the missiles, would have no less an impact upon industry than procurement operations now in effect.

8. There seems to be little question that the total number of combat air vehicles (be they aircraft or missiles) will continue to decline. As the effectiveness of a new craft increases over the old it tends to displace a proportionate number of old craft. The P-51, at \$250,000 each, was made by the hundreds.

Its most modern successor, the B-58, at \$3 million each, exists currently in about 14 planes, with only 18 actually scheduled for procurement in fiscal 1958. Meantime, the volume of expenditure by the government and the volume of procurement impact upon industry has actually increased.

There is no reason to expect a change in this trend.

9. Assuming for the moment that guided missiles could entirely replace manned aircraft, what would be the situation? Guided missiles would have to be produced and stockpiled in much greater numbers than manned aircraft are now. Aircraft can be used over and over allowing for a normal mortality rate. A guided missile can be used only once. Actually, if we could and were completely to phase out manned aircraft and go to missiles, the government's demands for goods and services from industry would be increased over the present already great levels. An exclusive arsenal of guided missiles would be subject to quick obsolescence, and thus would require frequent replacement. There is reason to conclude that the economy of any major nation today would be taxed to the breaking point by the burden of a military organization geared exclusively to missiles.

10. In its element, a missile is a remarkable creation. Out of its element it is a clumsy thing. Given a 120-foot Atlas missile manufactured on the West Coast but which

has to be fired, let us say, from North Africa, how is it moved? By boat? In peacetime, possibly. In war, no, for a highly effective and vastly expensive military machine, whose value lies in its tremendous speed and destruction potential, is thus subjected to an interminable period of slow-moving vulnerability. Air movement in times of stress is a necessity, and this again continues the need for manned military aircraft, possibly of a type not yet produced. A missile, without means of moving it to where it can be used most effectively in combat, is a sitting duck.

The inevitable conclusion is that there will be phasing-out and phasing-in of both manned military aircraft and guided missiles. New aircraft will replace existing aircraft and new missiles will replace those that seem about ready for the production line. Neither will act to the ultimate exclusion of the other.

Meantime, the pressures over the long run will be for greater government expenditures for both military aircraft and guided missiles as the requirement for research and development intensifies rather than lessens. The pressure for research, for the development of new models of anything, is the basic ingredient in economic growth. Within this framework, American industry will find itself with a continuing market for output in the air-combat field, complicated by the sudden shifts in technology that can make or break a single firm with a suddenness not common to past economic history. The long-term market is there.

The short-term market may be hazardous.

After a reasonable period during which procurement emphasis has shifted to missiles—because we are now in a position for the first time to produce some of these missiles—and after the impact of eliminating duplications in both aircraft and missiles has been realized, there will again be resurgence in aircraft development. In this process, some aircraft engine and airframe producers may be seriously hurt. More serious will be the impact upon subcontractors who produce components. Prime contractors, reduced in their operations, will tend to pull such subcontract operations back into their own shops.

Specialized companies are going to have to make a rolling adjustment to this problem if they are to be in a position to continue as a factor in the military aircraft and guided missile procurement market over the next 20 years.

—H. DEWAYNE KREAGER
Industrial consultant

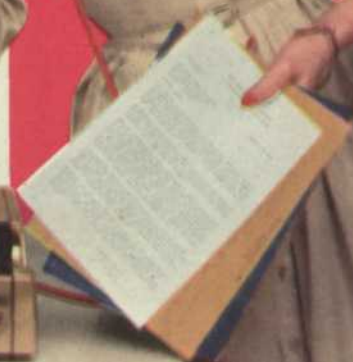
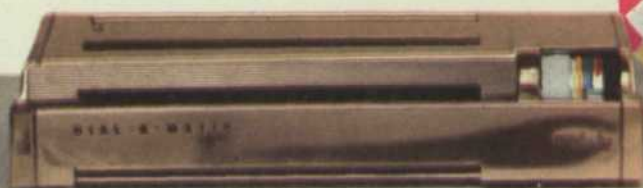
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This advice is offered by Woodrow W. Hunter, research associate for the University of Michigan's Division of Gerontology, business consultant and specialist on retirement conditioning.

Mr. Hunter bases his opinion on these practical business considerations:

► The most productive workers are those who feel secure and happy about the future.

► A good retirement plan, including a retirement conditioning program, provides additional inducement to attract hard to get, more highly qualified young employees.

Aside from these productivity considerations, Mr. Hunter points also to a public relations factor—that is, a happy retired worker is one of your company's most enthusiastic public relations representatives.

Retirement conditioning means getting the worker to think of retirement as a bonus rather than the end of a useful life. This boosts productivity by promoting greater worker satisfaction about his future.

A three-phase retirement conditioning program developed by Mr. Hunter through his work with a number of national concerns is designed to assure that companies will have improved worker morale, not only in the years just preceding re-

tirement but throughout the worker's career.

His plan emphasizes these points:

1. Financial counseling when an employee first comes to work for your company.
2. Guidance on outside activities and health problems during latter midcareer.
3. Intensive instruction on such things as finances, health and housing during the years just before retirement.

The whole problem is to get the employee—whether worker or top executive—to think in a positive way about his retirement. Whether your company favors a compulsory age or flexible retirement, inevitably retirement must be faced. Once a proper attitude is developed, there will be no need to view compulsory retirement with gloom, as if it were some sort of final curtain.

Retirement for many is a shattering stage of life, one that can bring on physical disability, emotional unhappiness and even death.

Another factor makes retirement conditioning desirable: The work force in the United States is aging and the leisure class of retired workers is growing.

Mr. Hunter explains his three-phase program this way:

Financial counseling. This should involve more than just telling the new employee what amount of money he will draw upon his retirement;

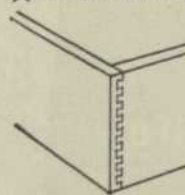
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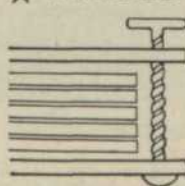
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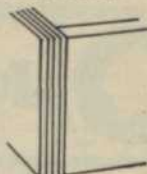
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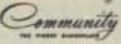







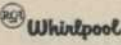
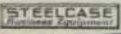
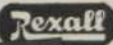
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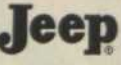

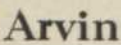





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LEISURE

continued

rather, a personal official should help him plan his financial future, give him guidance on such things as the percentage of his income that should be spent for housing, on consumer debt, on what types of insurance and annuities he should think about, on saving plans.

Try to help him think and plan ahead financially.

Not only will this help to make the new employee face the future with security but it will get him to think of his new company in long-range terms. This is good for the employee and good for the company.

Mr. Hunter has found that more and more new employees are interested in and asking about retirement plans when they are interviewed for a job. However, at this stage of his career, the financial aspect of retirement is the only phase which concerns the new man. It is useless to try to impress him with the more intangible implications of retirement.

On the other hand, Mr. Hunter says that older workers on the brink of retirement do not as a rule consider finances as the biggest problem facing them. Instead, they list such things as a feeling that their usefulness is ended, where they will live, health and loss of prestige associated with their work.

Of course, finances are a big concern, nevertheless.

Activities and health. During an employee's latter midcareer he begins to realize for the first time that some day in the future his work days will be over. This often comes as quite a shock.

By this time in life, an employee's children have left or are leaving home and he and his wife realize they will be alone more of the time. Since, during his early career, the man's time has been taken up mostly with just getting ahead in his work and the wife has had her own separate interests, the couple now needs activities that will bring them closer together.

Guidance through group discussions works best in stimulating thinking about worth-while outside activities, ones that require creative efforts or that are socially beneficial. Mr. Hunter stressed that activities must be more than mere "button collecting hobbies," which require no creative effort, don't add to the betterment of the community and tend to shut out association with other people.

Instead such hobbies as furniture

building, gardening, painting and creative writing require development of talents—and also can be profitable.

Community betterment work is one of the most satisfying to human beings, Mr. Hunter says, once a couple gets into it. This work goes beyond the usual concept of helping needy families and includes such things as scout work, advisory work with youth clubs, local government volunteer commissions, charity drives, library work and a host of others. Help for these activities is always needed in a community.

One of the basic needs of a human being is a feeling of usefulness. Community work fills that need.

The difficulty is getting people into this type of work. Mr. Hunter says he never urges workers specifically to go into social work. They seem to resent it. Instead he tells of the advantages of this type of activity and then, in the course of group discussions, usually tries to bring in some outsider who does work of this kind to explain it.

What this growing leisure class does with its time is of vital importance to the whole community, he points out.

Civic work also makes new acquaintances for the worker. This is important because as time goes on the worker's circle of friends gets smaller and smaller. Much of the unhappiness of retired workers is related to loneliness, Mr. Hunter says.

During a person's forties, many of the chronic diseases develop. At this period in life the worker needs to have a complete physical examination, an assessment of his health. The guidance sessions should stress the importance of health care. The county physician or company doctor can give a short talk on how to stay healthy.

Intensive instruction. Six to 10 sessions should be held during the last years of employment on questions in the minds of most people facing retirement.

These questions concern such things as housing, how to make retirement income do, medical help and health, and what to do with spare time.

A moderator serving to get group discussion going makes these sessions of instruction most successful. As the workers hear others' problems and talk over their own, they begin to feel a sort of comradeship and to make concrete plans of their own for retirement.

After a retirement conditioning program at Niagara Falls, N. Y.—

(continued on page 74)



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The new Victor Duomatic Cash Register gives a permanent record of every sale on tape and provides a printed receipt for your customers. It designates clerk or department, totals sales, and gives grand total of full day's cash receipts. Use it as an adding machine—any time—without disturbing your business total.

New in design—with a handsome Fiberglas case that will not chip, crack, or dent—this remarkable machine costs less than any other item-adding cash register on the market!

The Duomatic is backed by the 39-year reputation of the Victor Adding Machine Company. Ask your nearest Victor representative for details. Look under "V" for Victor in the adding machine section of the Yellow Pages, or mail the coupon.

Victor Adding Machine Co., Chicago 18, Ill., Victor-McCaskey Ltd., Galt, Ontario, Manufacturers of Business Machines, Cash Registers, Business and Industrial Systems, Electronic Equipment, Electric Cars.



Only \$325
(hand operated)

Only \$425
(electric model)

Victor Adding Machine Co.
Dept. NB-1057
Chicago 18, Illinois



Please send new informative booklet on the Victor Duomatic and name of nearest Victor representative.

Name

Address

City State

And just how could
a Kodak Verifax Copier
help us, Miss Jones?



What would your

101 BIG PRIZES

FOR SECRETARIES • PLUS 101 PRIZES FOR BOSSES

FIRST PRIZE for secretaries—
2-week, all-expense vacation for two in
Hollywood, Miami Beach, or New York

HOLLYWOOD—You'll stay at the swank Beverly Hilton for two whole weeks . . . be spoiled by sparkling pool, superb service. Full VIP treatment awaits you at movie studios. You'll see "hits of tomorrow" filmed . . . lunch in commissary with stars. You'll meet Ozzie and Harriet of the Kodak TV show. Visit Disneyland, Malibu Beach, Romanoff's, Coconut Grove—wherever your pleasure calls.



MIAMI BEACH—Your home away from home for two whole weeks will be the fabulous Fontainebleau. You'll soak up the sun. Swim in surf or pool. Laze 'neath the palms or in private cabana. Enjoy superb cuisine, tops in entertainment. Sight-see by car to Seminole Indian Village, by boat around Biscayne Bay. Anywhere you please!

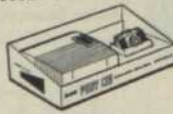
NEW YORK—Your address during two-week stay will be one of the proudest in the world—The Waldorf-Astoria. But you'll be everywhere: Touring Radio City; dining at "21"; seeing "My Fair Lady"; visiting the UN; gazing down from the Empire State Building; being introduced on the Kodak-sponsored Ed Sullivan Show.



THE 100 RUNNERS-UP GET



Choice of a
Brownie 300
Movie Outfit



Kodak Pony
Color Slide
Outfit



Each winner's boss
gets a Brownie
Starflex Outfit

Join the cheering section—get your secretary to enter Kodak's easy "Tell the boss" contest. If she wins one of the 101 prizes, you win, too—a handsome Brownie Starflex Outfit. All she has to do is answer the question above. Nothing to buy. Nothing to try—unless you insist.

ASIDE from the fact that the prizes are plentiful and well worth shooting for, you and your secretary will find this contest educational. *Even revelational!*

For what boss wouldn't like to learn how he can skip hours of paper work? And what secretary wouldn't be happier with far less typing?

All of this is possible—as thousands of offices have discovered—when you have a Kodak Verifax Copier, which gives you 5 copies of anything in 1 minute for just 2½¢ each.

This completely different copier, for example, lets you answer half your mail with-

out dictation and typing—do away with those repetitive "I quote the customer" memos. How? Just use the "Verifax pencil trick." When a letter asks questions, jot the answers in the margin and mail a Verifax copy as your reply. When a report refers to several departments, jot again: "Tom: see this (paragraph)"; "Dick: check this"; "Harry: note this." A minute later your secretary will have Verifax copies on their way.

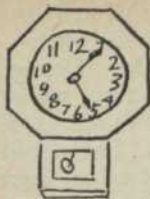
101 Short cuts

You'll save ten minutes here, ten minutes there all day long. And your secretary will do even better with this

NOTHING TO BUY...SIMPLE RULES

1. You must be employed as a secretary, stenographer, or typist in the United States, or in its territories or possessions. "Girl Fridays" in "one-man" offices are eligible.
2. Just answer the boss in your own words, 20 words or less. Verifax Copying need not be mentioned.
3. Send in as many entries as you wish. Write plainly or print each entry on an official entry blank, such as the attached coupon or blanks obtained at Kodak Verifax dealers. (Check "yellow pages" under "photocopying equipment" or similar "photo" heading for address of nearest dealer.) All entries must be postmarked no later than December 1, 1957 and received no

- later than December 10, 1957.
4. Entries will be judged on originality, humor, and aptness of thought by the Reuben H. Donnelley Corp. Duplicate prizes in case of ties. Judges' decision final. Entries, contents, and ideas therein become the property of Eastman Kodak Company for any and all purposes. No entries returned. All entries must be the original work of contestants and must be submitted in their own names. Employees of Eastman Kodak Company, its direct dealers, and its advertising agencies are ineligible.
5. This contest is subject to all federal, state and local regulations. Contest winners will be notified by mail. A complete list



Answer him in
20 words or less



secretary say?

completely different copier that ends retyping, proof-reading and mistakes.

She'll never have to type copies of incoming reports, quotation forms, magazine articles—what have you? "All day" retyping jobs can be done in 20 minutes. And when you order three carbons—but find you need five—no harm done!

Completely different

Does more. A Kodak Verifax Copier makes 5 copies in 1 minute on standard weight paper, card stock, office forms. Also makes "masters" for use in whiteprint and offset machines in 1 minute. Snap to operate, no change in room lighting.

Costs less. You can get one of these Verifax Copiers—the Signet model—for \$148. Actually less than the cost of an

office typewriter! Even "one-man" offices report saving its cost the first month.

Misses nothing. Your Verifax copies are photo-exact from top to bottom. All types of writing or printing—even purple duplicator inks—are copied as readily as typed data. And your Verifax copies will last as long as originals.

Get your secretary to mail coupon today. No doubt she'll have two or three good answers after reading these pages. No limit on entries. She can pick up extra entry blanks and a copy of Don Herold's amusing booklet on 101 Verifax short cuts at nearest Verifax dealer. (See "yellow pages" under "photocopying equipment.") *Good luck to you both!*

Price shown is manufacturer's suggested price and subject to change without notice.

**VERIFAX
SIGNET
COPIER . . . only
\$148**



of winners will be mailed approximately eight weeks after close of contest to any person who requests it and sends a stamped, self-addressed envelope to Eastman Kodak Company, Box 114, Mt. Vernon, N.Y.

6. **100 runner-up prizes.** Each runner-up winner can choose either of these prizes:

1) **Kodak Pony Color Slide Outfit**, which includes the capable Kodak Pony Camera to make your slides . . . and the efficient Kodak 300 Projector with Readymatic Changer to show them.

2) **Brownie 300 Movie Outfit**, which includes the Brownie Movie Camera with f/2.3 lens and the Brownie 300 Movie Projector with built-in preview screen.

MAIL COUPON TODAY. Get extra blanks from your Verifax dealer. Contest closes Dec. 1, 1957.

EASTMAN KODAK COMPANY, Box 115, Mt. Vernon 10, N. Y.

56-10

Gentlemen: I'd tell my boss: _____

(answer in 20 words or less)

Name _____

I'm employed by _____

(Name of Company)

Company's address _____

(street)

(city)

(state)

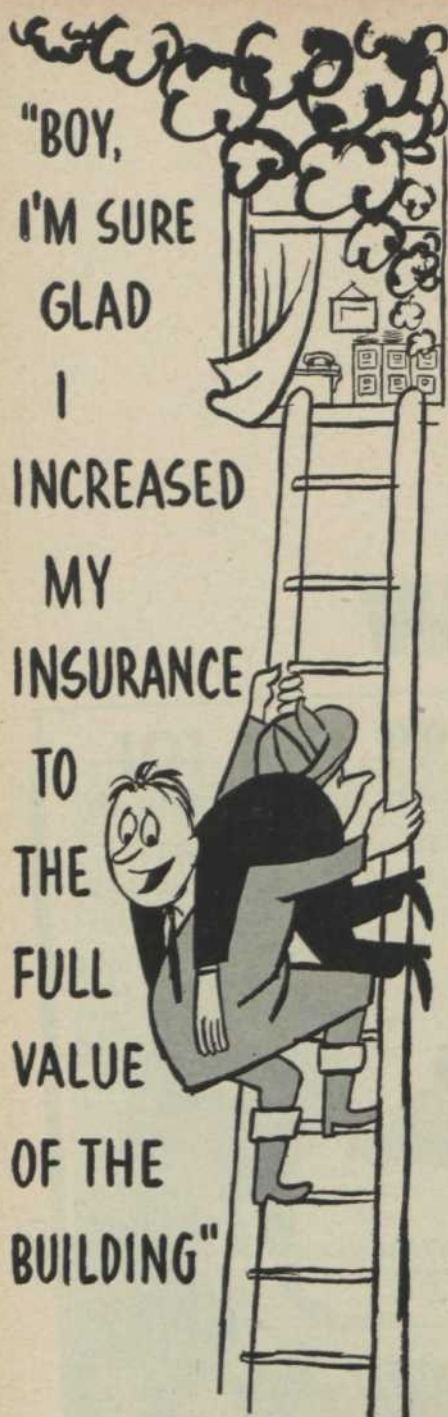
Boss's name _____

Please check: Does your office have a copying machine? Yes ☐ No ☐

If so, what kind? _____



Kodak
TRADEMARK



Would you sell your business building, furniture and fixtures for the amount of insurance you carry? No? Then you're not adequately protected in event of loss. The same applies to your home and household contents. To make sure you're up-to-date, call an agent representing one of the . . .

Phoenix of Hartford INSURANCE COMPANIES



Executive Office: Hartford 15, Conn.
The Phoenix Insurance Co.
The Connecticut Fire Insurance Co.
Equitable F. & M. Insurance Co.
Minneapolis F. & M. Insurance Co.
Reliance Insurance Co. of Canada

WHEN YOU BUY INSURANCE BUY INTEGRITY

LEISURE

continued

sponsored jointly by three companies and Niagara Falls Adult Education Division—workers made comments such as these:

"It makes people realize that they should get ready for their retirement from work."

"It opens your eyes to various angles you never would have thought about."

"You get a chance to see what other people are doing about retirement."

Ideally the groups should be limited to 15 to 25 people. When, where and how often the sessions should be held depends on the individual company, the type of busi-

ness, the age of the work force and its size. Mr. Hunter says sessions at night are often good because the spouse can attend more easily. He encourages this. Morning sessions on company time proved successful, too.

the other; it tends to keep down the feeling that either labor or management is trying to outdo the other—and it benefits both. Mr. Hunter says that in one program where the labor leaders weren't contacted, some ill feeling resulted. This could have been avoided had labor been invited to participate, he feels.

Better still is joint participation by management, labor and civic organizations within the community.

Before a retirement conditioning program begins, workers need to be oriented to the idea. Otherwise, they may not realize the benefits that can be derived from such a program. Some may actually resist one if it is sprung on them too fast.

Orientation can be accomplished by first talking with managers and superintendents, getting the support

CHECK LIST FOR RETIREMENT

Here are seven questions to ask yourself. Woodrow W. Hunter chose these for an intensive session at Niagara Falls, N. Y., sponsored by the Niagara Falls Division of Adult Education, Electro-Metallurgical Company, Moore Business Forms, Inc., and Hooker Electrochemical Company.

1. What is retirement going to be like?
2. How can I make my retirement income do?
3. How can I keep healthy in my later years?
4. What can I do with my time after I retire?
5. How can I earn some money after I retire?
6. What can I do to have a good family life after I retire?
7. Where shall I live after I retire?

A good idea is to have a satisfied retired worker come back to help moderate the sessions. Civic leaders, librarians and local government officials are willing to help, he says.

Joint participation by labor and management in setting up a retirement conditioning program is helpful. This doesn't set one against

and cooperation of the workers' immediate superiors, men they trust. Other devices, such as general meetings where opinion is invited, give the workers a sense of participation that makes them more receptive.

At any rate, a blunt announcement from the president with no ground work laid is not best. Don't thrust the program on people.

Once a program is begun, however, the workers will make it pay for itself by improved morale and productivity, and your company also will have scored a solid point in public relations. **END**



Pressure—*secret of the world's best-run oil fields!*

The maintenance of proper gas pressure—like the pressure in a can of whipped cream—makes it possible to operate certain oil fields at top efficiency.

Richfield, as sole operator, has set a high record for efficient oil production at its North Coles Levee field near Bakersfield, California.


Here, beginning in 1942, gas has been continuously re-injected to

maintain pressure. By employing this and other advanced engineering methods, Richfield has increased recoverable reserves of this field from 60-million barrels to more than 220-million barrels.

Richfield has long used and championed such modern methods, since only in this way can the oil resources of our nation be fully developed for the enjoyment and protection of all.

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 **RICHFIELD** *a leader in Western Petroleum Progress*
OIL CORPORATION

TEACH YOURSELF MANAGEMENT SKILLS

Whether your firm has an executive training program or not, your own career growth is up to you. Here are key points that you can follow

FOUR CARDINAL PRINCIPLES of executive development can be applied on a do-it-yourself basis if your company has no formal plan to help managers grow.

These principles have been tested by experience in major corporations. They are part of the underlying philosophy of most successful executive development programs. They are:

- ▶ Executives flourish where the climate is favorable.
- ▶ Good managers are good teachers.
- ▶ Accurate diagnosis is essential to proper treatment.
- ▶ All development is self-development.

In business literature, these principles are almost always treated from the viewpoint of top management trying to formulate a company-wide development program. But with a few adaptations, they are equally valid as a guide for the individual manager who must chart his own course up. Around them you can build a private program of planned self-development.

It won't be as easy as under a company-sponsored program. You may have to get along without some things, such as systematic job rotation or company-financed training courses.

These handicaps are not as serious as they seem. The necessity of taking the initiative, of using your ingenuity to devise effective substitutes, may be a greater stimulus to managerial maturity than anything your company could do for you.

Here's how you apply the four principles to a do-it-yourself development program:

Invest your career in a growth situation

A wise top management, in setting up a company executive development program, would give first priority to creating an organizational climate which encourages managers to grow. Primarily this means deep delegation of real decision-making powers so that younger managers can learn by doing. It also involves setting up a fair promotion system which rewards, not the office politician, but the man who conscientiously prepares himself for greater responsibility.

Perhaps you as an individual can do little about creating such a climate in your company. But you can determine whether it already exists. Unless it does, or unless you have good reason to believe that

it will, you may be wise to move to a company which does offer you room to grow, even if you have to take a pay cut to do it.

In rating your present company or choosing a new one, take a good look at its future prospects as well as current working conditions. A few exceptionally able and well situated men will eventually rise to the top in a company which has itself ceased to grow. The opportunities are clearly much greater in a dynamic, expanding enterprise.

One way to make an objective appraisal is to cast yourself in the role of a potential investor looking for a growth stock.

If you had \$300,000 in cash to invest today, would you put it into this company? At an average salary of \$15,000 a year—a modest expectation for a rising executive—your career for the next 20 years represents a capital investment of \$300,000.

Study the art under a master

Ask a successful executive to identify the greatest single influence in shaping his career. Chances are he will name a former boss whom he remembers as tough but fair.

Many leading corporations have recognized this fact, and have made it a basic principle of their executive development programs. They tell senior managers that one of their most important jobs is the day-to-day coaching of subordinates. Some companies go so far as to say that no executive has really fulfilled his responsibilities until he has taught at least three younger men to do his work as well as he can.





Turn this principle around and look at it from the viewpoint of the subordinate. It means this: Look around your company for a boss who is a good teacher, and find a way to place yourself under his tutelage.

Here are some tests to apply in choosing a boss:

Is he a nice guy?

If your instant reaction is yes, beware. He may be too nice a guy for your own good. A boss who is a good teacher may irritate you considerably at times. He will demand your best performance even when you don't feel like putting forth the extra effort. He will be judicious with praise when you'd prefer him to be lavish. He won't hesitate to bawl you out when you've tried to slip by with a lazy, sloppy or careless job.

Will he stand by and let you make a wrong decision?

If he won't he doesn't know how to delegate authority. A good teacher will let you learn from your mistakes (up to the point where they threaten disaster to you or the organization). He won't expect you to make a perfect score—just a high batting average.

Does he give clear instructions on how he wants a job done?

Score one against him if he does. A wiser boss would tell you what he wants accomplished and (even better) why it is important to the over-all objectives of the organization. But unless you specifically sought his counsel, he would leave it up to you to decide how the problem should be attacked.

Is he the kind of man you'd like to be?

If you admire your boss as a human being, a great deal more than his executive skill may rub off on you. Part of the growth process is developing a system of values which establishes a meaningful link between the work you do every day and the things you consider of ultimate importance in life.

If your boss is a narrow-gauge cynic who thinks all human motivation can be reduced to the grubby level of self-interest, you may unconsciously find yourself adopting his limited view. If he has learned to fit his own job into a larger framework of service to the company, the community and the nation, you may

emerge from the relationship with one of the most precious gifts any man can have—a sense of vocation.

Know yourself

Every executive development program worthy of the name provides some method of periodic, objective appraisal. Its purpose is to enable each aspiring manager to see himself as others see him, to identify his strengths and weaknesses, and to lay out a road map for future development.

This is the one job you must not undertake to do yourself. No matter how hard a man tries to be candid about his shortcomings, he is too close to the subject to be a dependable judge.

The simplest solution, if you have the right kind of boss, is to ask him for an unsparing critique. Let him know that you are sincerely trying to prepare yourself for greater responsibility. Put the emphasis on your desire to perform more adequately in your present job, rather than hopes of future promotion.

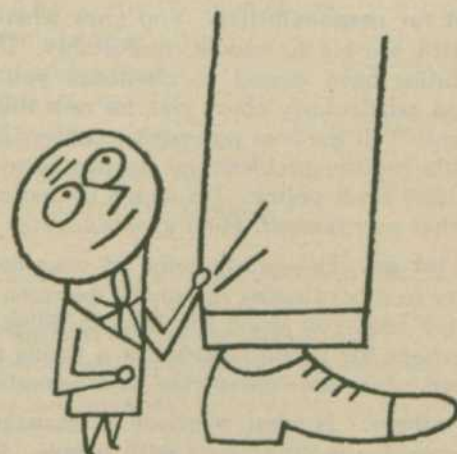
Once you have sought his counsel, don't pester him every day with "how am I doing?" questions. One or two serious conversations a year should be a sufficient check on your progress.

An alternative method is to cooperate with four or five other young managers, on substantially the same echelon as yourself, in setting up an informal version of the appraisal panels which are used in some companies to rate executive growth needs. ("You Can Help Managers Grow," NATION'S BUSINESS, November, 1956.)

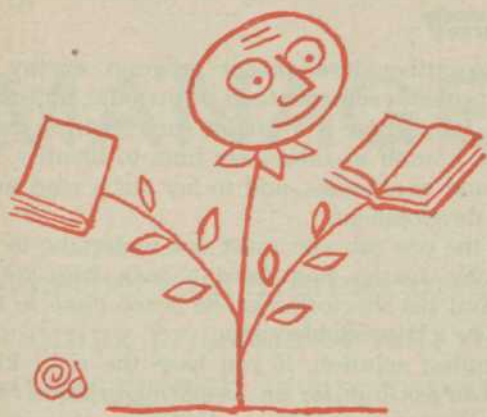
Select colleagues who are fair minded, who know something of each other's work, and who share a common ambition to grow. If you are on sufficiently close terms with one or more senior executives to persuade them to take the role of chief judges or moderators for all of the appraisals, that would be still better.

Be your own taskmaster

Management experts long ago learned that no one can train an executive in the same sense that you can train, for example, a stock clerk or stenographer. That executive development is self-development has



Pick out right boss



Know as you grow

become a universally accepted maxim, even in the companies that try hardest to provide the climate, counseling and resources that will be most helpful.

It is necessary to emphasize this point because many young managers in recent years have begun to think of executive development primarily in terms of a course at university or management institute.

Some of these courses are indeed excellent, and it may be that you would profit, at some stage of your career, from such formal schooling in management techniques. But anything you might learn there would be of secondary importance to what you can learn on the job, and through well-planned homework and extracurricular activities.

Here are some tips on how you can develop essential executive traits and skills right where you are:

Work hard. Horatio Alger's formula for business success has not gone out of date. One of the most striking characteristics of today's top executives is their enormous capacity for hard work. They didn't suddenly develop their capacity upon reaching the top. It came from long years of not watching the clock.

Reach out for responsibility. You grow when your job is a little too big to handle comfortably. If your present duties have ceased to challenge you, look around you, particularly above you, for new things to worry about. Tell the boss you want to relieve him of some of his routine problems so he can have more time for high level policy. He won't be fooled—he came up that way himself. He'll give you extra work.

Learn to let go. Delegating some of your own responsibility to subordinates, in exactly the same open-handed way that you want the boss to delegate to you, is perhaps the hardest lesson for a young manager to learn. It is also one of the most essential.

Do unto others. Human relations is management course jargon for getting along with people. Unless you have a knack for it, you aren't likely to go far as an executive. The Golden Rule is a pretty good one-sentence textbook on human relations.

If you want to take a more sophisticated approach, read books on self-development or sign up for a uni-

versity extension course in general psychology.

You can get valuable practice in leadership—which is human relations on the executive level—by taking an active part in community activities.

Be a clear channel. Communications is another executive skill that has been made to sound like some kind of esoteric art. Essentially, it means keeping the channels open so that necessary information may flow down from the policy-makers and up from the shop. As part of the transmission belt in both directions, you must first learn to be a good listener.

One of the most neglected of all communications skills is learning to read rapidly. The higher you go, the more you will be expected to read.

Speaking and writing—the positive aspects of your role as communicator—will be easier to master if you remember that your objective is not to impress, but to inform. Edit your conversations, your speeches and your written reports, to make them as lucid, simple and straightforward as possible.

The key test of good communications is: "Will the other fellow understand you?" Serving on a well run committee, where you will be under duress to stick to the point and make yourself clear, is excellent practice.

Don't underrate technical skill. Management may be an art but its successful practitioners always have a solid base of competence in the more mundane techniques of business administration. Planning, organization, budgeting, quality controls, statistical analysis, problem-solving methods, general economics—all of the studies in the classic curriculum of business education are valuable tools to the executive at every level. If you are weak in any of them, bone up through night school, a correspondence course, or by reading.

Grow out as you grow up. As you move through successively higher echelons of a business organization, you will find that the nature of your work is gradually changing. At the lowest level of management, you are supervising one particular skill. At the next level, you have charge of an entire process, usually involving the integration of several skills.

When you get into upper-middle and top management, you will be primarily concerned with policy which govern the company's processes.

Finally, if you reach the very top, you will find that you are increasingly preoccupied with philosophy. Today's chief executives, and still more tomorrow's, must look far ahead, and far beyond the immediate problems of their own company and industry, to fix the long-range objectives of the firm.

Whether these objectives are realized will depend on the extent to which they harmonize with the future needs and demands of the society which the organization exists to serve.

Management on this level calls for a sense of history, and a clear understanding of the political, economic, and social forces that shape it. It is no job for a man whose cultural horizons are bounded by market reports and sales charts.

—LOUIS CASSELS and RAYMOND L. RANDALL

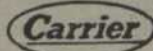
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Here's outlook for borrowers

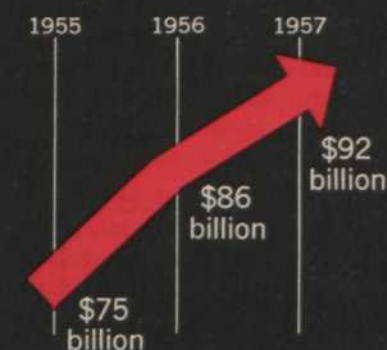
Answers to these current questions will help you estimate the future

HOW MUCH DOES MONEY COST?

RATES DIFFER BUT SPREAD IS NARROWING



INTEREST RATES ON SHORT TERM LOANS



COMMERCIAL BANK LOANS OUTSTANDING

WILL TIGHT MONEY short-circuit prosperity?

An increasing number of businessmen, as well as congressmen, want to know.

What concerns Congress and borrowers is how the money market is rationing our credit supply and the implications this has for the future.

These questions are being asked:

- ▶ How much credit is the banking system extending?
- ▶ Who is borrowing?
- ▶ How much does money cost?
- ▶ Is small business obtaining sufficient funds?
- ▶ Can consumers still buy goods and services on credit easily?
- ▶ How scarce is mortgage credit?
- ▶ How tight is municipal borrowing?
- ▶ How does the future look?

Analysis of the available statistics and their implications will help you answer these and related questions.

Commercial loans

Although commercial bank loans have been climbing less rapidly in recent months than they did last year, they are at an all time high as businessmen and consumers expand their credit needs. Total loans outstanding at commercial banks now are more than \$92 billion compared with more than \$86 billion a year ago and \$75 billion in 1955.

The largest share of this total—\$40 billion—was extended to business firms. This was \$4 billion more than a year ago and \$12 billion more than 1955. Real estate loans, at \$23 billion, are only slightly above last year's level. Consumer loans of \$15 billion are moderately higher. Security and farm loans, a relatively small share of the total, are below a year ago. Thus far in 1957, the increase in the volume of commercial bank loans is only about half that in the same period in 1956.

In the first six months of this year, total loans to commercial and industrial companies (business loans) rose about \$1.5 billion. During the same period in 1956 the rise was about \$2.1 billion. In 1955 it was almost \$1.2 billion.

However, this year's rise was not spread evenly over the six months. Practically all of it took place in June when heavy tax payments became due. Until then, the level of borrowing had hardly risen over the beginning of the year. In the first five months of this year, heavy borrowing by some industries was offset by equally active debt liquidation by others. This pattern prevailed through the summer.

Who borrows

The heaviest borrowing at commercial banks during the first six months of this year was undertaken by the metals and metal products



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center" is set up a program of tests and the *answers desired* to indicate that the aircraft is flight-worthy.

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Meet the plane at the ramp. Connect the equipment to a special outlet on the ship. Start the system and let it run. Automatic evaluation of the responses received comes out in the form of visual data—and adds up to either "All set" or "Hold everything."

This is the sort of ingenuity that's stock in trade at Stromberg-Carlson. It already has been put to business uses, too. Perhaps *you* have a problem such engineering skills can solve.

"There is nothing finer than a Stromberg-Carlson"



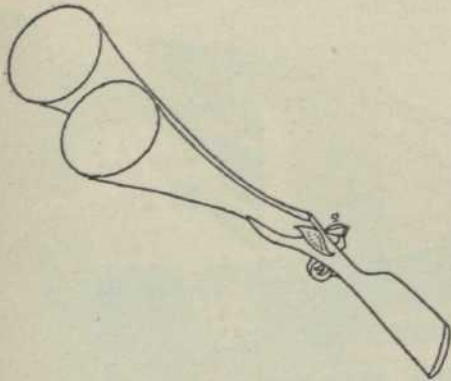
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BORROWERS

continued

industries, public utilities, and sales finance companies.

The increase in borrowings by public utilities and sales finance companies was almost twice as great as the increase in the same period last year.

These industries increased their borrowing moderately: textiles, apparel and leather; petroleum and coal; chemicals and rubber industries.

These groups borrowed less: commodity dealers; food, liquor and tobacco industries.

Most businesses tend to borrow and repay their debts seasonally. Therefore, data on borrowing in the 12 months, July 1, 1956, to July 1, 1957, shows a somewhat different pattern of industry borrowing than does the past six months.

For the 12 months, borrowing at banks in leading cities consistently exceeded borrowing in the same period a year ago in these industries: petroleum and chemicals manufacturing; public utilities; food manufacturing; commodity dealers. It was below year ago levels in the textile industry, wholesale and retail trade, and the metals manufacturing industries.

The nation's corporations issued a record volume of about \$7 billion in securities in the first six months of this year. Public utilities issued almost one half of this. The metals and petroleum industries were next. Although these industries continued to borrow heavily from banking systems, monetary stringency may have been partially responsible for their quest for other sources of funds. According to some observers, the unusually large flotations of securities were in part a substitution for further expansion of bank borrowing. This thesis is not completely borne out, however. Finance companies, for example, cut back their security flotations and increased their borrowing at commercial banks to record levels.

Although corporate bonds were selling well in the first part of the year, continuing heavy flotations have begun to tax the available supply of investment funds. As a result, yields on new bonds have increased sharply recently.

Interest rates

Interest rates charged by banks on short and intermediate term loans to industry and business (the bulk of commercial bank lending) continue to rise slowly. They had been rising sharply from mid-1955

to the end of 1956. The average rate charged for loans extended by banks in 19 key cities throughout the country was 4.4 per cent, according to latest figures.

Loan rates vary considerably according to size of loan and where the loan is made. Average interest charges for the 19 cities ranged from slightly more than four per cent for loans of \$200,000 and more to about 5.4 per cent for those less than \$10,000. The average per annum rate for loans from \$10,000 to \$100,000 was five per cent and for loans up to \$200,000 it was 4.5 per cent.

Rates on loans to business were highest in the South and West and lowest in the East, particularly New York City. In each of the regions, small loans were more expensive than large. The average loan cost 4.2 per cent in New York City, 4.4 per cent in seven northern and eastern cities, and 4.6 per cent in 11 southern and western cities.

The interest rate spread among regions is narrowing. Money rates have been increasing more rapidly in the East where the lowest rates have prevailed in the past. Except for loans of \$200,000 and more, the spreads in rates between North and East (excluding New York City) and the South and West was the smallest in recent years.

In the very short term market, rates have been rising. Thus, rates on four to six month prime commercial paper rose to 3.88 per cent in July. This compares with the 1956 average of 3.31 per cent. In 1955 the average was 2.18 per cent and in 1954 it was one per cent.

Paralleling the increase in short term money rates, the costs of funds for longer term investment programs have been climbing. This is reflected in the rapidly increasing yields of all classes of bonds. Latest figures show long term government bonds to be yielding approximately 3.6 per cent, state and local bonds 3.7 per cent, and all corporate bonds 4.3 per cent. A year ago the comparable yields were 2.9 per cent for U. S. bonds, 2.7 per cent for state and local, and 3.4 per cent for corporate bonds.

Businesses floating new issues of bonds have had to increase their interest rates on bonds considerably. State and local governments attempting to raise funds in the open market for highways and schools have been particularly straitened.

Small business

It has been widely reported that small businesses have found it to be difficult to obtain sufficient funds through the regular money market

channels. Although large numbers of commercial bank loans are extended to small businesses, their share of the total volume of loans has been falling. Small businesses have, therefore, sought other sources of operating capital.

A most important source appears to be trade credit. According to a study by the Federal Reserve Bank of Kansas City, small businesses have been receiving substantial amounts of short term credit from their suppliers. These are generally large manufacturers and suppliers who find it easier and less expensive to obtain funds on the open market.

This practice has spread rapidly in the past two years and "is a factor of substantial importance in relocating capital obtained from other sources by corporate business units," the bank said. Firms with less than \$5 million in assets, for example, reported a gain in payables (source of trade credit) which was almost equal to their increase in notes and accounts receivable. Among firms with less than \$250,000 assets, payables exceeded receivables. The Federal Reserve Bank attributes this increasing importance of trade credit for small businesses to restrictions on the availability of bank credit.

Selling of equipment on the installment plan is expanding hand in hand with the growth of trade credit. This is in one sense a substitution of installment credit for open book credit, a phenomenon familiar in consumer markets. Larger numbers of manufacturers are finding this a profitable way to sell and promote their products. Small firms find this a convenient way of replacing and enlarging their equipment without going to the money market. Alternatively, this frees funds for other uses.

Consumer credit

Consumer credit in general has been less responsive than other types of credit to measures taken to tighten money (see NATION'S BUSINESS, May, 1957).

The current period of monetary restraint has been no exception as consumer credit continues to reach record highs.

As of summer, all categories of consumer credit—installment, charge account, and single payment loans—were expanding. Total consumer credit (excluding mortgage credit) reached an all time high of \$42 billion. The greatest part of this total was \$32 billion of installment credit. This type of credit was on the increase at banks, finance companies, and retail outlets, including mail order houses which are substantial

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NB-10

BORROWERS

continued

suppliers of installment sale credit.

Repayments of all categories of installment credit were close to the high levels of installment credit extensions. This can indicate that those consumers who liquidated their debts during recent months may be financing purchases later in the year.

Any tightening of consumer credit can develop only via two channels:

1. Through money market stringency which can affect those suppliers of consumer credit (banks and personal finance companies) who depend largely upon the money market for their funds.

2. Through the voluntary tightening of terms of credit to consumers by merchants and other lenders.

There seems to be little evidence that the latter group are restraining consumer credit extensions to any extent and even less indication that terms of credit (down payments and length of loan) are being significantly stiffened.

Mortgage credit

In the first half of this year, the volume of loans extended for residential mortgage financing was lower than at any time in the two preceding years. Although total mortgage financing was rising at midyear, this upward movement was confined to the conventional financing market. The writing of Federal Housing Administration and Veterans Administration loans was on the downgrade although FHA loans were showing greater strength than VA loans.

The principal types of lenders in order of their shares of the mortgage market were savings and loan associations, individuals, commercial banks, mutual savings banks, and life insurance companies.

It is generally agreed that the decline in VA and FHA mortgage financing is in large part due to the pegging of their interest rates. A leading financial authority, C. R. Whittlesay, says, "The restrictive effect in the volume of mortgage credit . . . was the reflection not of genuinely flexible interest rates but of a discriminatory policy, with some rates flexible and some fixed." The increased interest rate now in effect on FHA loans as well as lower down-payments allowed by the new housing bill may support a larger volume of FHA insured financing.

A significant characteristic of the

mortgage market is that the total interest cost for a loan is large. Higher financing rates will increase this cost and may deter many prospective buyers. Although housing starts are now running at an annual rate slightly under one million homes, it may be difficult to finance a larger number, according to the Bankers Trust Company. The bank estimates that only about \$9 billion will be available in 1957 for home mortgages. Part of the difficulty is that the flow of investment funds to institutions specializing in one to four family housing loans is being diverted to institutions which do not concentrate on writing loans for family residential properties.

State and local borrowing

The problem state and local governments have had in raising funds for construction programs has been widely reported and debated. One important source of the difficulty stems from the fact that, in the past, municipalities have depended upon the tax exempt feature of their bonds to provide a ready market. As a result they have been able to offer lower returns when they issue bonds. In recent years the large scale of state and local borrowing has outgrown the market's willingness to take these lower returns for the advantage of obtaining tax exempt interest. So municipalities have had to seek new markets.

One potential market is the large pool of institutional savings—life insurance and pension funds—available for long term investment.

However, life insurance companies and administrators of pension funds are interested in higher rates of return rather than tax exempt interest. Although the spread on earnings between corporate and municipal bonds has become smaller since the immediate postwar years, it is still large enough to make corporate bonds relatively more attractive.

Furthermore, the spread has not diminished in the recent period of sharply rising interest rates and pressures on the supplies of available funds.

The problem facing state and local governments, therefore, is how to become competitive.

When state and local governments have competed in the money market, they have attracted a larger volume of long term funds. Municipal security flotations financing toll roads and public housing declined in 1956. Flotations for other purposes were maintained at the high levels of the previous year.

It is possible that one reason municipal bond offerings have failed

has been a shortage of financial know-how. The Investment Bankers Association found, on the basis of a nationwide survey, that a good share of the issues which failed on their first offering were sold when they were offered again. In some cases the reofferings were bought at rates lower than those rejected earlier. The conclusion suggested is that, with careful timing and tailoring of issues to meet the needs of investors, municipal finance officers can sell more of their issues.

A survey carried out simultaneously by each of the 12 Federal Reserve Banks in its district confirms this finding. According to Federal Reserve Vice Chairman C. Canby Balderston, the banks report that when municipal borrowers were able to set their interest rates at competitive levels, they were able to float their issues without too great difficulty.

The future

The outlook is that money will continue tight into 1958.

Recent experience points to an inescapable conclusion: The coming months will test many borrowers' financial and management acumen. Substantial amounts of credit will be available but not as much as the market will be able to absorb. As business activity expands competition for funds will intensify. The borrower will have to range wider for his funds at the prices he can afford to pay. He will have to exercise ingenuity in uncovering alternative sources of funds.

Available liquid resources will have to be carefully managed and allocated among competing uses. If sufficient money cannot be borrowed from conventional lower cost sources, others will have to be sought. For example, in order to expand small businessmen may have to lean more heavily on trade credit and purchase more of their equipment on the installment plan. Municipalities will have to seek new markets for their bonds and develop greater financial know-how. Home buyers will have to be prepared to bid more for their money.

One of the dangers is that expectations of further money scarcity and higher costs will create additional pressures on the money market. Some borrowers may seek to borrow as a hedge against future shortages and higher rates. In addition for a small charge preferred customers may be granted stand-by agreements to borrow in later months at stipulated rates. All of this can swell the total demand for funds and drive interest rates further up. —HAROLD WOLOZIN

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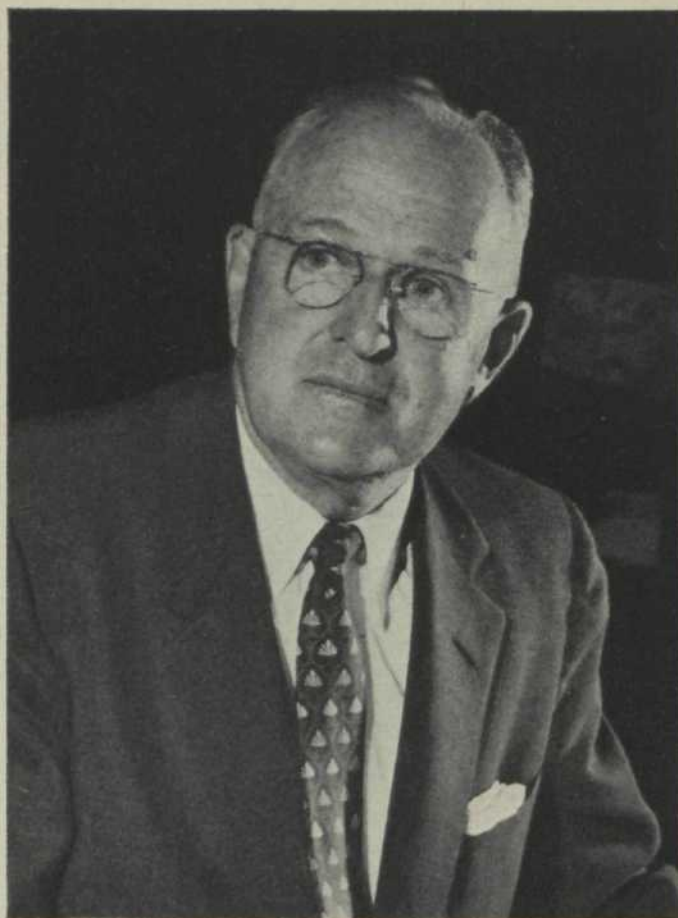
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payment cannot be demanded at will. If a contract calls for the payment of a fixed number of dollars 10 years in the future, such as for repayment of a mortgage, a bond, a note, or for a matured insurance policy, and if the real value of the dollar drops two per cent (compounded) per year during those 10 years, the owner of the contract for payment gets back 82 cents for each dollar he invested, and the borrower receives a windfall of 18 cents for each dollar that he borrowed.

Such evidences of debt are liens against a major portion of our wealth. Dr. Raymond W. Goldsmith of the National Bureau of Economic Research estimated the total tangible property of the U. S. at a little under \$900 billion in 1949. The Department of Commerce estimates total debt in that year—excluding insurance policies—as just under \$450 billion. In 1956 this figure was almost \$600 billion. Anything which affects the value of certificates of debt can affect the value of a large percentage of the ownership claims of U. S. citizens.

Who is hurt

Life insurance policies in the United States now probably total more than \$425 billion. A 10 year period of inflation at two per cent a year would reduce their value by more than \$75 billion.

Pension payments now total more than \$12 billion a year. The National Bureau of Economic Research estimates that, if these payments were to grow at only half the rate of increase in national productivity, they would exceed \$25 billion in 1965, \$38 billion in 1975 and \$85 billion by 1985. This would mean an increase from today's roughly 3.8 per cent of national income to 7.5 per cent. If inflation were to cut the value of the dollars paid to 82 cents, pensioners would lose something like \$4.5 billion in real value by 1965; nearly \$7 billion a year by 1975 and \$10 billion by 1985.

Interest and other fixed payments to individuals totaled more than \$36 billion in 1956—more than 11 per cent of all personal income. An inflation of two per cent a year would, in five years, reduce the real income of those dependent on these payments more than nine per cent or about \$3.3 billion.

All of this loss would fall most heavily on older families and on partially or wholly incapacitated



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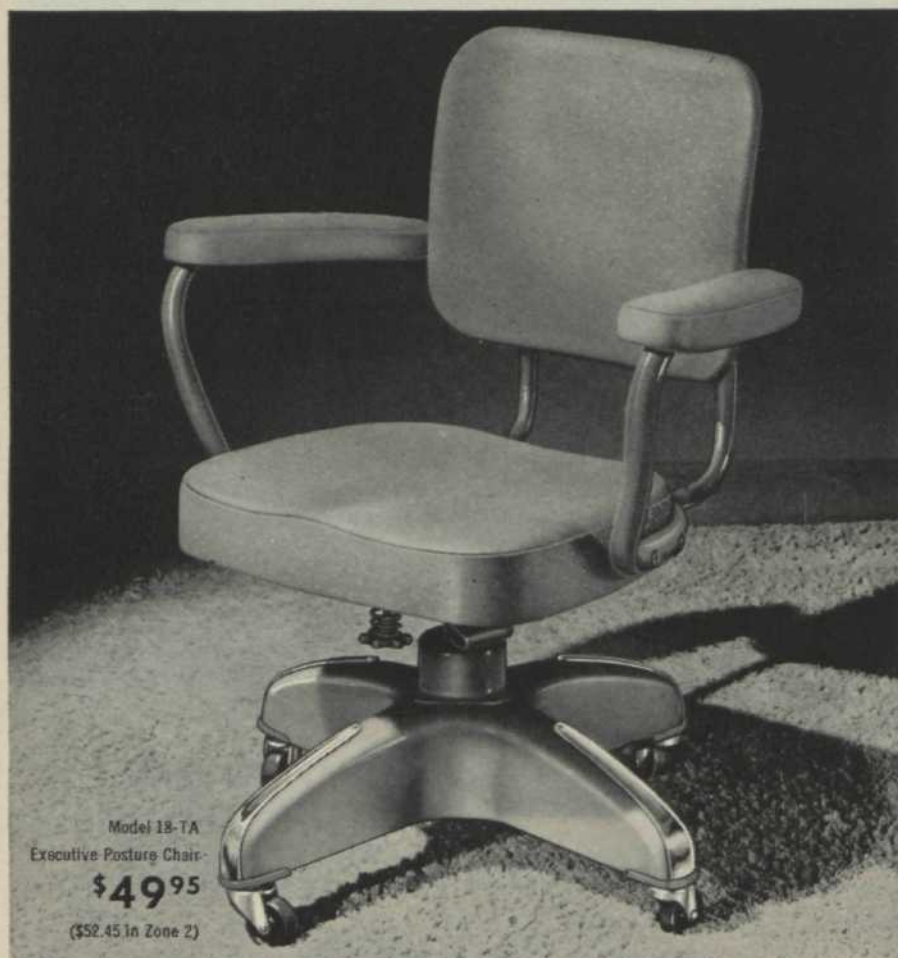
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INFLATION

continued

families dependent on social security, accident or sickness benefit policies.

Young families, those just starting out and borrowing in order to own homes or cars or furniture, would benefit. As inflation progresses, their incomes would rise and the real value of their debt would fall. At the end of 10 years of two per cent inflation they would be paying their obligation in 82-cent dollars. If they bought homes with 25-year mortgages, they would pay off their last installment with 61 cent dollars. They might pay back on the average not far from 75 cents in real terms for each dollar borrowed.

Inflation takes money from business firms as well as from people.


As far as successful corporations are concerned, the loss is paid by bond and mortgage holders and by consumers who must pay the higher prices inflation brings. With corporations which cannot adapt to inflation, the losers are equity owners, employees and mortgage and bondholders about in that order.

One of the more obvious losses which businessmen and corporations suffer is the effect of inflation on depreciation.

Inflation hurts the real income of many business firms. Depreciation and amortization allowances of corporations are now about \$18 billion. Actual annual costs for these purposes are appreciably higher. An inflation of two per cent per year would by itself increase the amount required for this purpose in five years by about \$2 billion, with no comparable increase in tax credits. The real income of business would be reduced to the extent that added replacement costs would not be reflected in the accounting of costs by the companies, and by tax collectors.

This has happened frequently in the recent past. In only two of the past 30 years—1932 and 1933—has it been possible to replace depreciated structures and equipment at or below cost. In 1948 it cost 2.2 times as much to replace structures of manufacturing corporations as normal depreciation accounting would provide. In 1955 the estimated depreciation on original cost of the structures and equipment of manufacturing concerns came to \$4.9 billion. But the replacement cost was \$6.7 billion. Approximately \$1.8 billion that should have come from depreciation accounts had to come out of earnings or borrowing.

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INFLATION

continued

tributable to inflation it has been necessary for manufacturing firms to spend as much as \$1.58 for each dollar put in depreciation funds.

This cost of inflation reduced the real profits of manufacturing corporations by more than \$4.75 billions in 1948, and by nearly \$2.5 billions in 1955. This cut nominal 1947 profits of manufacturing corporations almost in half. Profits of these corporations before taxes were reported as slightly more than \$10 billion in 1947. But increases in replacement costs took nearly \$4.8 billion of this, leaving real profits of a little more than \$5.2 billion.

Real profits have not been hurt this much in every year by rising prices. But what happened in 1947 could be repeated.

Most corporations had made the adjustment from wartime to peacetime economy by 1948. The corrected ratio of profits to net worth for manufacturing corporations was 9.8 per cent in that year. But with continued inflation, the ratio dropped each year, good and poor alike, until 1953. It was down to 6.3 per cent in 1953, a drop of 36 per cent in five years. Business was picking up in the years 1951-52 yet real profits as a percentage of real net worth continued to drop. It was not until after inflation was checked that real profits per unit of net worth turned up. If manufacturing companies had not had to replace property at inflated costs, their profits in 1948-55 could have been 25 per cent higher.

Renewal of inflation could steal as much from profits again.

Inflation also takes funds business needs for expansion. For instance, the home building field is heavily dependent on credit. Home mortgage writing took \$11 billion of new money in 1956. Putting additional mortgages on existing properties took about \$2 billion of this. Without inflation much of it could have gone to new housing.

That process is at least partially self-perpetuating, too. When a shortage of funds holds down the volume of new construction, demand is restricted to existing houses. This further strengthens their prices—as occurred in 1946-47—again increasing the money required for their purchase. If those who sell old houses at the higher prices invest the increased cash in residential mortgages, increased prices of existing properties do not decoy credit from new construction. But to the extent that this money is not in-

vested in new home construction, funds are decoyed to inflation-feeding transactions.

The government reports that the mortgage debt on one- to four-family houses now exceeds \$101 billion. Residential prices have doubled since the war, so that, without this inflation, a mortgage debt of \$50 billion would have financed properties as fully as the current debt now finances them. The mortgage debt was less than \$20 billion at the end of the war. An increase of \$30 billion, or from \$20 to \$50 billion in mortgage debt, would have provided for today's mortgage credit had prices remained constant. So financing inflation took two-thirds more mortgage credit than increased housing activity itself would have taken at constant prices.

The fact that feeding inflation can itself take a good share of the credit available, and thereby reduce funds available for employment is too often overlooked by both business and labor.

What caused it

Price spurts have tended historically to come as the result of wars or speculative developments. Prices have risen in the past two years without benefit of either. They have risen despite controls over the supply of money and credit. We are facing a unique and potentially dangerous situation.

The problem is so acute at the moment because four things have come together to release pressures which previously have been latent but not as effective nor working together in the same direction and at the same time. These pressures are:

1. Past increases of costs have accumulated so as to represent a doubling of many prices affecting the investment field. This doubling takes effect at a time when big replacement programs and a big business investment program are under way. The increased costs of construction and equipment would not be as significant except for the tremendous volume of outlays.

2. Business is consciously planning big expansion programs which it expects to finance to a large degree from revenue. Previous expansion programs were spasmodic rather than planned and carried out when they could be financed with relatively little difficulty. The programs are now pushed forward despite financing costs as a part of well thought out long range policy. Business is willing to finance partly by borrowing, providing the current and prospective earnings indicate the borrowing can be readily amortized. This also means high earnings.

3. Workers have concluded that rising standards of living are possible and rightfully theirs and expect their incomes to rise whether their productivity is greater or not.

4. Union leaders must hunt for issues. They have chosen to push for high wages as a means of maintaining their position. This means they tend to push for wages higher than can be justified.

These developments are not irresistible. Not all of them will be as strong even in the near future as they are now. For instance, the ratio of new investment to production is dropping. It will be lower in 1958 than in 1957. As a lower percentage of total output will be diverted to new capacity, a higher percentage will be available for consumption goods in 1958. This will hold down asking prices.

Depreciation accounts will not rise as much in 1958 as in 1957. This is due in part to smaller increases in rapid amortization charges and in part to the fact that a higher percentage of existing investment has been purchased since the big increase in costs in 1947 and to a smaller extent since 1951.

Management is finding that increase in prices can be boomerang and so may be more willing to negotiate on the basis of modest wage increase and price stability rather than for wage increase with price increases.

Labor is finding that rising wages are not what they are cracked up to be when prices rise, too. They have reasons to work for stable prices.

What can be done

If it should be generally accepted that inflation is here, companies, as well as individuals, would learn how to adapt to it. Insurance companies would reduce their purchases of mortgages, and other forms of debt. Investment houses would sell stocks, not bonds. Individuals would lose faith in insurance company or pension promises to pay fixed amounts. Those with savings would become interested in ownership of equity rather than debt.

But this would take time. Some insurance companies have been trying for years to get permission to offer policies based on investments in equities in addition to, or in place of, policies based on debt. But state laws are slow to change, and they might require insurance companies to continue to emphasize investment in debt for several years after it was clear such investment was bad policy. As individuals would lose interest progressively in conventional insurance, insurance companies would be unable to operate at previous rates. So business



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No office is too small to have a postage meter—now that PB provides a low-cost desk model.

A postage meter frees you forever from stamp-sticking, stamps that stick together, and riding herd on the old-fashioned stamp box. The little DM model, for instance, prints postage as you need it, for any kind of mail. And it even has a moistener for sealing envelopes!

You dial the amount of postage wanted, insert envelope, press the lever—and the stamp is printed right on the

envelope! With a dated postmark that helps get your mail through the post-office faster; with your own small ad, if you like. The DM provides postage for parcel post on special tape.

The meter is set by the postoffice for as much postage as you need to buy at a time. Your postage in the meter is always protected from loss or misuse, and is accounted for automatically, on visible registers.

There is an easy-to-use model, hand or electric, for every office, large or small. When you think of the savings, and the convenience aren't you tempted to get a postage meter?

Ask the nearest Pitney-Bowes office for a demonstration. Or mail coupon for free illustrated booklet.

Anyone can use a DM—even the boss!



FREE: Handy chart of Postal Rates, with parcel post map and zone finder.



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Offices in 107 cities
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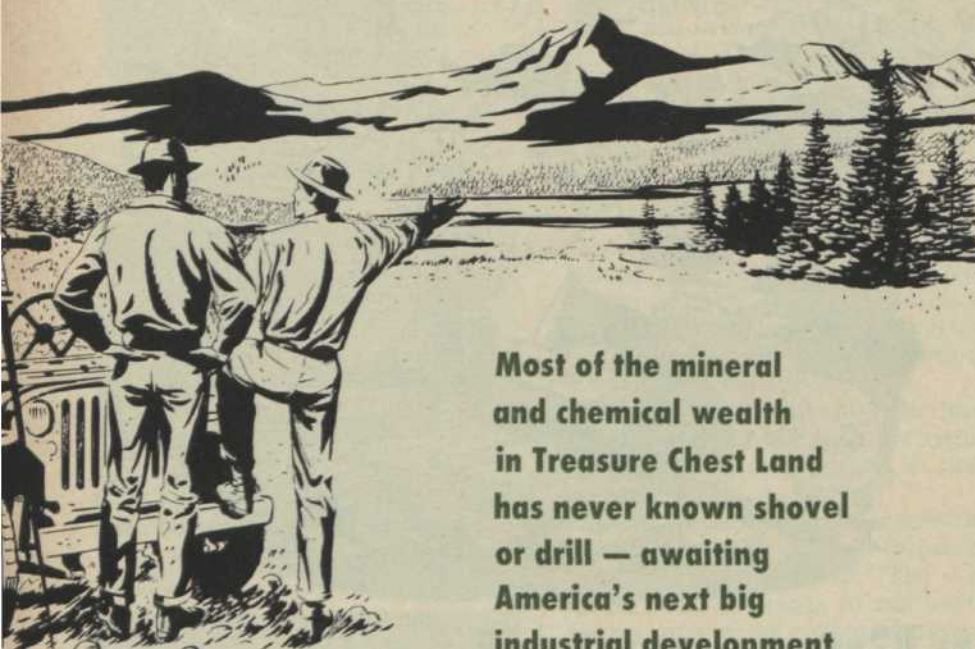
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UNTOUCHED



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Although more than 700 mines of all types are in operation, the great mineral wealth of Treasure Chest Land is still virtually untouched. The same thing is true of the enormous stores of basic raw chemicals in this vast four-state area in which Utah Power & Light Co. serves.

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- Every major basic raw chemical.
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- Low-cost power, water, fuel.
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- Sound diversified economy.
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- A gateway to the rich, far west market where America is growing fastest.
- Plus . . . plenty of "elbow room."

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Detailed information is presented in our brochure, "A Treasure Chest in the Growing West." For a copy, write, wire or phone to W. A. Huckins, Manager, Business Development Department, Dept. 36, Utah Power & Light Co., Salt Lake City 10, Utah. Inquiries held in strict confidence.

*A Growing Company
in a Growing West*

INFLATION

continued

firms would have to rely less on insurance companies and similar institutions, and more on other sources of financing.

The impacts might be more serious on long-term consumer financing, particularly of housing, than in corporate financing. Rates for short-term financing of items such as autos would go up some but money would continue to flow to consumer finance companies. But rates on mortgage financing would have to rise sharply.

Should it become accepted that an inflation of about two per cent per year was to be expected for several years, families who wanted to borrow on 25-year mortgages, for instance, might be asked to pay the debt in terms of constant dollars, by one device or another. The amortization payment due one year from the date of borrowing might be the equivalent of \$1.02, the second year \$1.0404, the third year \$1.061208, etc. till the payment on the twenty-fifth year might reach the equivalent of \$1.640606 per dollar. Prepayment terms of mortgages would be modified, and delays in payments would be more heavily penalized than is now the general rule.

This obviously would be cumbersome, and for many years it might be difficult to handle legally. Usury laws might interfere for some time. The federal government would interfere, too. So owners or builders might swing over to rental agreements, with rents rising each year. Options to buy, at rising prices, might go with the agreement. The home building and home buying business would face tremendous strains.

This sounds bad, a bit fanciful, and, except to some who have lived abroad, it may sound improbable. It may be improbable because it can be prevented.

The main hope for price stability is that businessmen will recognize that 1957 can be a serious point in time. It might not take a big push to start us on an inflationary spiral, despite the best efforts of the Federal Reserve system. If businessmen will recognize that their decisions, no matter how justified they may seem from a short-range standpoint, could mean the difference between a sane financial structure and a troublesome, inequitable, expensive and possibly dangerous inflation, the chances of success in fighting the inflation battle will be good.

Next, businessmen should allow for the fact that a decision to raise

wages or prices may form the basis for a chain reaction that will raise the company's own costs again.

Inflation does not just happen. It is something that people do. For instance, the price upsurge of 1947 was in part a result of specific actions taken in 1946 and 1947.

Production per manhour in non-farm private business dropped by about two per cent from 1946 to 1947 according to the Joint Economic Committee. Total nonfarm output went up 2.5 per cent but compensation of employees went up nine per cent from 1946 to 1947. In addition to much higher earnings, the amount of government bonds and other savings which could be turned into money had doubled since 1939. Money and credit was more plentiful than goods and services at current prices. Yet manufacturing industries raised wages nearly 14 per cent per hour from 1946-47. Some other industries raised them even more. With money in circulation rising faster than goods and services, prices rose as a result of what people did.

That fact may not have been understood in 1947, but it should be understood in 1957.

Wage-price patterns are becoming more and more the result of deliberate decisions, and often the result of decisions reached through negotiations between management and labor. If management grants increases in wages which are greater than can be matched over the long run by increases in output, prices have to rise. Conversely, if prices are increased more than enough to attract adequate investment and yield a fair return, these increased prices, too, may work through the economy. The increased prices, however they are caused, with today's explicit or implicit escalator clauses, result in further automatic increases in wages, which, unless an equivalent increase in output follows, will bring more price increases.

Moreover, if a manufacturing company increases wages, this is likely to become the pattern for many companies in the same industry. It may soon become the pattern for other manufacturers and then work back to the basic materials.

From there it starts working up again in terms of costs which the original company must meet.

A wage increase in a fabricating plant may, therefore, mean increased costs of labor and materials, not only for it but for suppliers and customers as well.

This chain-type reaction goes much beyond the limits of manufacturing. Retail clerks in a community whose manufacturing wages

Audiences listen—and laugh—when Eddie Mayehoff makes his pitch



EDDIE MAYEHOFF, M.F.S.,
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When the Hon. Eddie Mayehoff, M.F.S.* and funsmith extraordinary, juts his jaw and delivers a punch line, you can hear the crowds laughing a mile away. That's great in a theatre—but not in an office. Noise is distracting when you're trying to work. It cuts efficiency, and costs real money.

Acoustifibre Ceiling Tiles are a wonderful way to quiet a busy office—and make it handsomer, too. Almost like magic they muffle the buzz of conversation, the jangle of phones, the clack of typewriters. Acoustifibre makes offices calm, *provably* more efficient. And it's easy to install... goes right over existing ceilings. Tiles can be vacuum-cleaned, or repainted time and again without loss of sound absorption.

Free—Noise Reduction Kit. Contains photos, case histories and suggestions for reducing noise in offices, factories, stores, homes. Mail coupon now. No obligation.

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Please send me the free Noise Reduction Kit that contains acoustical case histories, tells how I can reduce errors and increase efficiency through sound conditioning.

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Automatic accounting

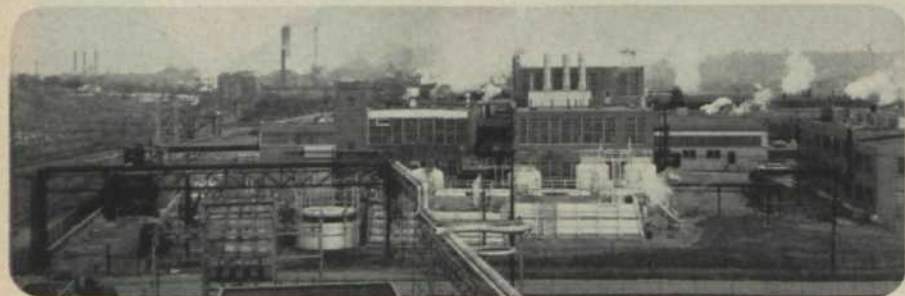
At a price well within the range of the small business, the Burroughs new Director Accounting Machine handles medium- and small-business bookkeeping with big-business speed. Many new advantages, such as front-feed, automatic carriage control, register selection. Ask for a free demonstration. Burroughs Corporation, Detroit 32, Michigan.

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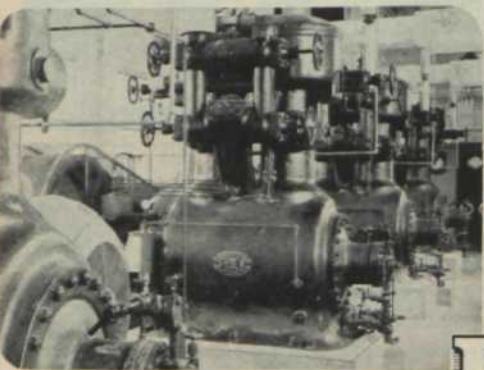
GOODYEAR'S NEW CHEMIGUM PLANT EQUIPPED WITH FRICK REFRIGERATION

This versatile plant, just completed at Akron, makes many types of rubber, latices and plastics. The big reactors, each holding 3000 gallons, are lined with glass; each is cooled with seven banks of glass-coated ammonia coils of the patented Frick direct-expansion design.

These coils, with their control system, enjoy a world-wide preference for use in chemical reactors.

Four Frick compressors of 12 in. bore and 12 in. stroke, together with a 5 by 5 machine, carry the refrigerating load under automatic and semi-automatic controls.

When you want the most durable and efficient refrigerating equipment, whether for air conditioning, process work, ice making, quick freezing or other cooling service, specify "Frick". Literature and estimates on request.



Frick ammonia compressors at Goodyear's new plant in Akron, Ohio.

DEPENDABLE REFRIGERATION SINCE 1892
FRICK CO.
WAYNESBORO, PENNA. U.S.A.

INFLATION

continued

have been raised will want increases, too, whether their productivity has increased or not. Barbers will want higher wages. So will doctors and lawyers. The result of the original increase may thus be an increase in prices and a loss in real wages to the workers in the plant first getting the raise. Thereupon the cycle starts again.

Management, therefore, is just as responsible as labor if prices rise. Management must make the decision or acquiesce in actions which force the decision to raise prices.

The next step businessmen could take, and one that on paper at least appears to be relatively simple, would be to put business accounting on a practical basis. This is a reform for which the Machinery & Allied Products Institute, for instance, has been fighting for years. Most accounting today is in terms of numbers only rather than in terms of reality.

Equity investors in corporations must have returns in current values, not in terms of historic dollars, if equity investment is not to be choked off. If a firm invests \$1 million in a plant with a 10-year life, the accountants will set up the books to write off the \$1 million in a 10-year period. At the end of the 10 years the corporation should have its \$1 million back. If prices have been stable, that \$1 million should enable it to replace the original plant. But if, during the interval, the price level doubles, the corporation may have only enough dollars back to replace half a plant. It would have to find another \$1 million either from profits or borrowing just to keep going at the old rate.

If corporations would set aside each year the amount necessary to match the depreciation of that year in that year's prices, their real profits would show on the books. Failure to do this brings charges of profiteering. If the books were set up to show real instead of nominal costs, the profits column would be quite different. The argument that wages rather than prices should be raised also might be more difficult to support.

But more important would be the fact that, with practical accounting, companies can know their real plant and equipment costs. They can handle their negotiations with labor on an informed basis. They can give raises warranted by the real productivity and price picture, or know that they are paying less or more than the current income war-

rants. Because they can know where they stand month by month, they can fight inflation, and at the same time set aside adequate funds for replacement and expansion needs.

Another step that some companies could take would be to calculate increases in productivity on the basis of their entire labor force and capital investment. If a machine can be improved in a way to double its speed and at the same time reduce its errors the increase in productivity is obviously not due just to the operation of the machine but it is due more to scientific and engineering developments by individuals of whom the company has never heard, as well as to skilled workers who make the improvements on the machine, and to the additional labor involved in providing for additional raw materials and in selling the additional products, as well as to the management who succeeded in getting the machine.

If the wages of the worker on the particular machine are doubled, other workers obviously will insist that their wages be increased, too. It is possible that wages could be raised some in the plant as a whole as a result of improvements of this sort. It is obvious also that the increases when given should be within the limits of increased return to the plant as a whole.

However, some companies have increased payments to production employees on the basis of the increase output of those employees only. The result, of course, has been similar, if delayed, increases in wages of nonproductive employees and still later increases in the costs of capital and other items. Management must know and believe that wages as a whole cannot be increased more than productivity as a whole after allowances for the costs of additional capital and other overhead involved in new technologies.

By recognizing and facing up to the problem, by having an understanding of the economics involved, and by using real rather than fictitious accounting, business firms could handle their costs, their prices, their labor relationships, and public relations, on an informed and intelligent basis. They could then give increases where increases are really earned by the plant as a whole and where such increases will not result in a loss rather than a gain in real earnings. They could hold prices down where increases are not needed, and where they might contribute to a general price rise that would boomerang back on their own costs. They could keep inflation from being inevitable.

—ROBINSON NEWCOMB

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"...Georgia's capital city is a crossroads of transportation for the entire Southeast. Georgia itself is one of the leaders in the growing economic importance of the region. Georgia also offers an expanding market for the products of our company and those of other American industries..."

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ALL YOUR PRODUCTS CAN BE PROFITABLE

These methods show how to make most of new market opportunities

PRODUCT DEVELOPMENT is commanding more management time these days.

Improved technology and shifting markets are broadening the horizons for new products. But there are obstacles, too, which cost industry millions of dollars each year.

Some of the signs of growing management emphasis on product activities were turned up by the management consultant firm of Booz, Allen & Hamilton in a study completed recently. Here are several principal findings:

- ▶ Almost all companies are working on a new product or wish they had one in their labs or plants.
- ▶ Private research and development expenditures are climbing at the rate of about 20 per cent a year.
- ▶ Today it's about par for the growth companies to have 50 per cent of sales in products new to the

company since the war. In the next couple of years, many firms expect new product sales to be an even larger percentage.

▶ Corporate acquisitions, in the main a part of the search for new products, are hitting new highs—about 100 or so a month.

▶ Scores of firms have organized new product or product-planning departments lately.

One long-standing obstacle to successful product development is the high failure rate of new products. Even established, efficiently run firms can count on only one in five of their new products scoring with customers. For all other companies the odds are only one in 50 that a new product will survive for two years.

Another problem is the extensive manpower waste and morale damage, particularly among technical

personnel, as a result of the high rate of product failures, plus the fact that only one out of 500 product ideas or projects makes it all the way to the market place.

A third problem is that almost every product may expect to be replaced eventually. The product life span will vary, but in some cases it is only a few years.

Often, before an old product is replaced, production catches up with demand and the product slips into profitless price competition to try to stay alive.

The secret of product success is in knowing the market and matching the product to it, in the opinion of most product and marketing experts. Here's what some of them say:

"The successful products have most completely satisfied the customer's wants, either spoken or unspoken. Those which have turned out to be lead balloons have for the most part been the result of not knowing what the customer wants, or knowing but not delivering," comments Robert M. Oliver, marketing vice president for Thomas A. Edison Industries.

"The market sets up the key for characteristics of the product," R. W. Van Sant, Jr., director, marketing technical service division of Gulf Research and Development Company, told NATION'S BUSINESS. "New fuels and lubrication are often developed in joint programs with users and equipment builders," he said.

According to Arthur C. Nielsen, Jr., executive vice president of A. C. Nielsen Company, market research firm, "The three words 'my wife says' are the three most expensive words in marketing today.

"Submit the idea to the final test of the consumer under normal selling conditions through the use of a controlled market test," he counsels.

Consumer testing was considered the most important factor in putting over a new product, according to a study of 200 large, experienced manufacturers of packaged consumer goods conducted by Ross-Federal Research Corporation of New York.

Edison's Mr. Oliver maintains that product success calls for a program of what he terms planned parenthood. "The time to develop a product for profit," he explains "is before it is conceived, and the place is the market where it will be born and progress." Edison makes and sells such diverse items as batteries and bassinets and introduces about a dozen new products a year. As many companies are doing today or will have to do to compete, the Edison organization has a special



“ The time to develop a product for profit is before it is conceived ”

How a Revolutionary New Kind of Fluorescent Lamp is Solving Serious Problems in Industry, in Offices, in Shops and in Stores of All Kinds

No new fixtures needed. Just snap in this new fluorescent lamp for a lighting improvement so sensational, so far-reaching in its effects that you must see to believe.

An assembly line in Connecticut greatly increased production. An architectural firm reduced its draftsman's hours per job. A printing plant saves many hours a week on color make-ready. A bank in Michigan cut its bookkeeping errors. A prominent restaurant in Los Angeles enjoyed a radical increase in business. A food store reports a spurt in sales of fresh meats and vegetables.

Reports like these come in daily from businesses all over America—from offices, banks, schools, art studios; from factories, and shops; from jewelers and brokers, florists and decorators, shopping centers, druggists, tailors, and huge factories—even from auto dealers.

What is producing this sudden boost in sales, in production, in increased efficiency of employees? A new method of providing color-corrected lighting that is almost completely free of glare! In offices, freedom from eye strain reduces tension, reduces errors, reduces absenteeism. In sales rooms, various color combinations make almost any product more attractive to the eye, more appealing to the prospect.

THE FIRST REALLY RADICAL IMPROVEMENT

The development of the SUNRAY Fluorescent Lamp today brings to business and industry the first really radical advancement in illumination since the invention of fluorescent lighting. Three major features mark the transition from the fluorescent lighting of the past to SUNRAY Lighting of today.

FIRST: Glare—the greatest cause of eyestrain, mental and physical fatigue—has been so greatly reduced through built-in louvers, right inside the lamps that clerical errors have been slashed to a minimum.

SECOND: Colorite, the new triumph of SUNRAY engineering provides illumination of absolute daylight quality to make colors appear indoors exactly as they do outdoors under Northern daylight. Color matching of fabrics, paints, printing inks is no longer a problem.

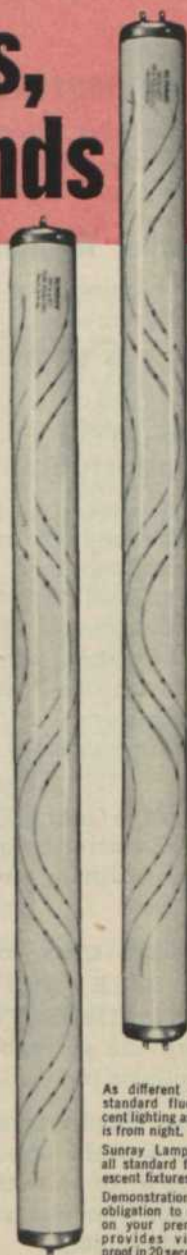
THIRD: Still other SUNRAY Lamps, singly or in combination, produce illumination that gets more favorable reactions from prospective buyers in retail showrooms than does true daylight. Vegetables and meats can be made to look fresher and better, complexions can be made to look rosier and healthier, jewels can be made to give more brilliance, flowers acquire rare tints and shades. Furs are glamorized. Automobiles sparkle.

LET US HELP YOU SOLVE YOUR PROBLEMS

Just tell us the nature of your business and we will mail complete facts on SUNRAY Lamps as they apply to your particular problems. From the data collected over a period of four successful years we not only are familiar with the obvious problems of almost every known kind of commercial business, or industrial activity, but we also may acquaint you with some of the more subtle deficiencies in lighting that affect your business without your knowledge.

SEND NAME FOR FACTS

Use the coupon or your letterhead. In addition to all the facts concerning your business, we will mail particulars of our offer by which you may try out SUNRAY Lighting in your own establishment without the slightest obligation to buy. A direct comparison with your present lighting will be the most convincing evidence you can have of the benefits you can gain through the use of SUNRAY Lamps.



As different from standard fluorescent lighting as day is from night. Sunray Lamps fit all standard fluorescent fixtures. Demonstration (no obligation to buy) on your premises provides visual proof in 20 seconds.

Sunray
COLOR ADJUSTED
ILLUMINATION

SUNRAY PRODUCTS CORPORATION

Dept. 1635, Warren, Pennsylvania

JUST MAIL THIS COUPON

SUNRAY PRODUCTS CORP., Dept. 1635, Warren, Penna.

Please send me complete information on the gains accomplished by your new Sunray Fluorescent Lighting in any kind of business. Also, tell me how I can have a demonstration made right on my own premises, without obligation to buy Sunray Lamps.

I am in the _____ business
(describe type)

My Name _____ Title _____

My Company Name _____

Address _____

City _____ State _____

Be sure to fill out information below:

PRESENT TYPE OF LIGHTING FIXTURE ☐ Slimline ☐ Starter type

Check size of lighting tubes now in use _____ 24" _____ 36" _____ 40" Other _____

Fresh from big success in 1957, undisputed leader in booming swimming pool industry announces dynamic new program for 1958.

DISTRIBUTORS

now being selected for new 1958 Motel and Home

Esther Williams

Swimming Pool Program—

NOW IN MOTION!



Big Profit Opportunities

right now in booming home and motel pool markets. Pool heaters and advanced design, all-concrete, simple construction bring year-round volume sales.

Coast to Coast NBC-TV program on 200 stations right now to sell pools during lush Fall selling season.

Millions spent on 1957 program in LIFE, BETTER HOMES & GARDENS, TV, RADIO, etc., provide springboard for more millions planned in 1958.

New Motel Program offers wide-open profit opportunities starting at once with fast sales to leads from our trade advertising and mailings.

\$25,000 to \$250,000 Yearly Profit potential from five-figure investment in self-liquidating inventory.

Our New Year Started Labor Day! Distributors being appointed at rapid rate. ACT NOW!

ESTHER WILLIAMS SWIMMING POOLS

39 Court Street, White Plains, N. Y.



PROFITABLE

continued

product program which includes these steps:

1. Establishing profit standards based on return on investment.
2. Planning a course of action for substandard products.
3. Developing a written policy on products.
4. Researching the market.
5. Matching product to market.
6. Making marketing a company philosophy.

The program's objective: Trying to make each new product the one in

Edison's program using planned product parenthood evolved after the organization learned the hard way in 1950 that the product should be one that will meet the customers' wants.

In that year, Edison introduced with great fanfare a newly designed iron called the Stroke-Saver.

"A woman could iron every article in the wash with fewer strokes and less time," recounted Mr. Oliver, "We didn't spare effort in taking it to market either. The United States Testing Laboratory was hired to make time and motion studies. Elaborate selling aides were prepared for our sales force, distributors and dealers. We launched the product with an all-out press luncheon.

SIX STEPS TO NEW PRODUCTS

Recognition of the stages of product evolution, says Booz, Allen and Hamilton in its product survey, is the key to new product organization and control. Here are six clear stages into which product creation falls, according to best practices the survey found among companies.

1. **Exploration:** Product lines are determined in step with company objectives, an idea generation program is set up and ideas are collected through an organized network.
2. **Screening:** Best ideas are picked, facts are collected about their commercial aspects and the ideas are appraised for their value to the company.
3. **Specifications:** Certain persons are made responsible for further study of ideas, desirable market features are determined and a definite program for product development is drawn up.
4. **Development:** The idea becomes a concrete product. It's built to specifications, evaluated in the laboratory and released for testing.
5. **Testing:** Commercial experiments are planned, market testing is done, production is arranged and the design is frozen.
6. **Commercialization:** Final plans are set for production and marketing, promotion and selling campaigns are coordinated, results are checked, improvements are made in the product, manufacturing and sales.

five launched by successful firms that is a profit-maker.

In these days of profit squeeze, the profit hunters should beware of problem products, says Mr. Oliver. This includes the products the company is already making as well as those it may make in the future.

National advertising in magazines and on TV proclaimed our new discovery. This was backed up with local advertising in all media. Point of purchase was not forgotten. Expensive window displays and other selling aids were available for dealer use. We had deals to get the stock

on dealers' shelves and contests to activate the distributor salesman.

"In short, we pulled out all the stops. But the effort failed. It was not what women wanted. They wanted a steam iron and were perfectly willing to pay almost twice as much as for a Stroke-Saver."

Here, according to Mr. Oliver, is a rundown of some of the costs of failure:

Engineering, tooling, package design, advertising, merchandising, direct selling, warehousing, inventory, price concessions, extra advertising allowances to distributors and dealers, goodwill adjustments, lower morale, lost prestige, damaged trade relations, valuable time and effort taken from other products, loss of advertising and promotion money needed for profitable products. Also the time, effort and money spent on the Stroke-Saver could have been used for introducing a steam iron at a time when the steam iron boom was just catching on.

How can these losses be prevented? Here are the steps in the planned parenthood formula as described by Mr. Oliver:

► *First, you establish profit standards based on return on your investment.* Each product and product line should carry its share of the load. The products that don't are costing you money. So you must analyze your present product lines. Get the exact cost and profit breakdown on each product. Old profit standards, in terms of conventional percentages of profit on sales, are misleading. As low as two per cent can be a satisfactory return on a sales dollar that turns over 12 times, for example. It is a matter of company objectives to set how much profit a product should earn.

"I think that 20 per cent before taxes on total assets is a proper expectation," says Mr. Oliver, "but the important thing is that management set a profit standard."

► *Second, you plan a course of action for substandard products.* For these profit-weak items, there are three possible decisions:

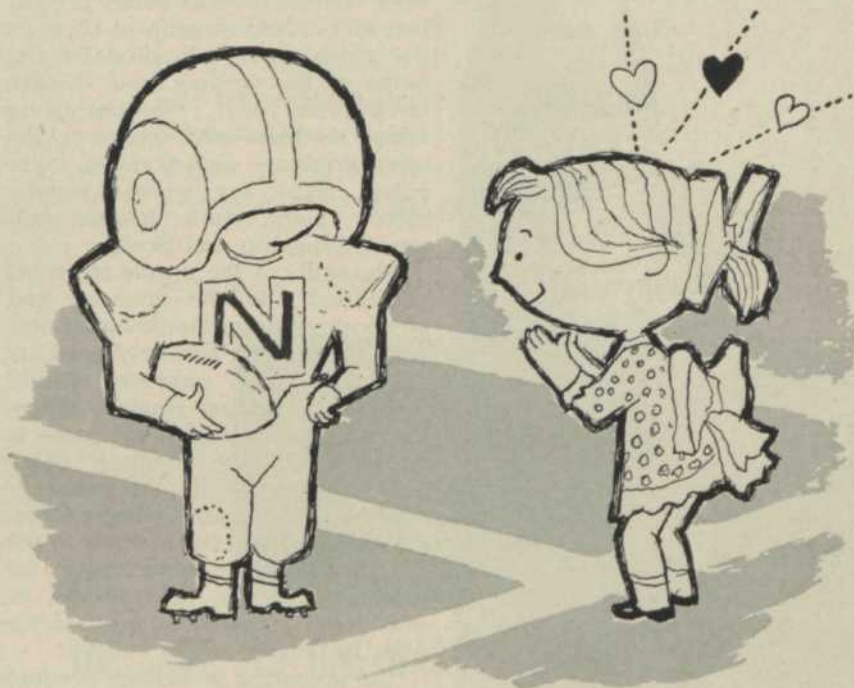
a. Restore them to a profit-making position. This involves analysis of such factors as the design, price structure, industry position, competitiveness, cost of manufacture, forecast of success. All will depend on whether cost of accomplishment is less than the profit objective.

b. Discontinue the product or line. This would be done only after the first choice of restoring the product to profitability has been found impractical or impossible.

c. Continue the product for some particular reason—as a loss leader

neenah says:

some people
never see you ...
only your
letters ...



They never come into your office, never see your face, never clasp your hand, yet they do business with you through your letters. So make your only impression the best impression.

Use a fine cotton fiber bond by Neenah for your business letterheads.



You can help create a letterhead that helps your company succeed. The first step is to ask your printer for a free copy of the second series of "The Right Letterhead for You."



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4 Attractive Brandy Snifters For Your Hennessy Cognac

• Through special arrangements by the makers of famous ★★ Hennessy Cognac Brandy, you can now obtain these crest-engraved brandy snifters direct from France. Tap the rim with your fingernail and the ring reveals the exquisite perfection of this crystal-clear glassware. A set of 4 glasses, shipped direct from Cognac, France, is yours for only \$1. The coupon below is for your convenience.

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COGNAC BRANDY

84 Proof • Schieffelin & Co., New York

Hennessy, Dept. 37K
P.O. Box 15A, Mt. Vernon, New York

Here is my dollar for 4 Hennessy Brandy Snifters described in this offer. I will pay 15 cents U. S. Customs handling charges when my glasses arrive.

Name _____
Address _____
City _____
State _____

NOTE: Sorry, this offer is limited to one set per person. Offer good in U.S.A. only.

PROFITABLE

continued

or to satisfy a special customer—even though it costs money to do so.

"Reasons for continuing an unprofitable line, will be almost impossible to justify if management is intellectually honest," Mr. Oliver contends.

► *Third, develop a written product policy.* "Few companies," Mr. Oliver says, "reduce product policy to writing, and it is an important thing to do." Such a policy should define the scope of the product line, quality level, price range, relationship to other products and influence on other products. Boiled down, it involves eight key words: people, money, plant, name, market, volume, leadership and profit.

The skills of the people in an organization and the financial and physical resources should be defined, then the product line developed accordingly. The company should consider in setting product policy those items for which its name is known. Will the company name help sell the product, for instance?

Market trends and volume characteristics should be set down in the product policy. Opportunity for leadership in the field should be considered. Finally, the profit factor must be determined.

"In preparing a written product policy, top management should consider all these and other pertinent factors, and put down a set of rules that will guide key personnel in their actions in connection with the product line," Mr. Oliver said.

When a written policy exists, he said, "each contemplated newcomer into the product line can be evaluated in advance, before needless dollars have been poured into development and distribution."

► *Fourth, research the market.* A dollar spent in determining what your customer or prospects will buy will save hundreds of product development dollars.

"The flop of the Stroke-Saver iron could have been avoided by proper market research and advance sales tests," Mr. Oliver said.

Edison now uses market research with all contemplated new products or acquisitions. Mr. Oliver pointed out, to determine if the company wants to enter the market.

If it does, much more extensive studies are made to determine markets, their potentials, and what characteristics successful products should have.

► *Fifth, develop a product for a market instead of a market for a*

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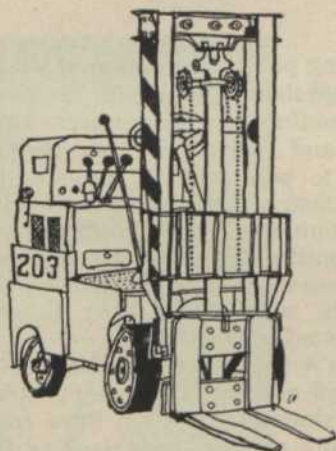
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product. Not too many years ago said Mr. Oliver illustrating the importance of this step, Chrysler tried to market the Chrysler Airflow, which the public greeted with outstanding apathy. But the Forward Look was an outstanding success. The difference was that Chrysler probed into what the public wanted in the latter case, he said.

Field research among salesmen who sell the Voicewriter dictating machine for Edison gave the company an invaluable design clue which saved thousands of sales expense dollars, Mr. Oliver recalls. Demonstrable differences were needed. It was found that the key person in the decision to buy was the secretary. So the engineers went to work to please her. They made a wafer-thin, flat-top machine that took up little space and on which papers could be piled without sliding off. The machine was offered in a variety of colors and with her initials on it. A new ear phone was devised with high fidelity sound.

► Sixth, make the marketing concept a company philosophy. The marketing concept puts the custo-



mer first and last, says Mr. Oliver. It starts with understanding. It thinks through the product situation.

When the president of the company, the controller, head of the research lab, manager of engineering, head of production, service manager, director of quality control, treasurer, secretary, advertising manager, sales manager—every one of your employees—is on the marketing team, you are on your way. **END**

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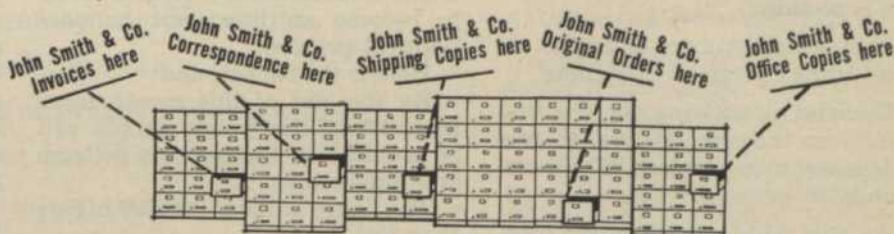
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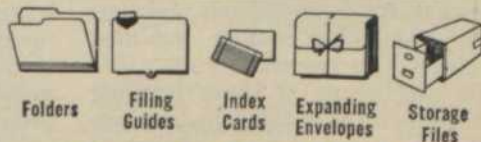
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Pressures building for aid to colleges

Tomorrow's needs and financing problems foreshadow plea for federal intervention

DRASTIC CHANGES are ahead for colleges and universities:

- The population that is of college age is zooming.
- Increasing numbers of adults are demanding college-level training.
- Demand is growing for the university to broaden its role, to provide many more services in the community it serves.

All this adds up to positive prospects of a heavy financial burden. Current thinking is that college and university operating funds will have to be raised from \$3 billion a year to at least \$5 billion a year and an extra \$10 billion or more will be needed for buildings and improvements in another 10 years. Current college construction expenditures are running about \$750 million a year.

Classes, nevertheless, will be crowded for many years because there won't be enough qualified teachers to go around.

As one result of these pressing demands on the nation's institutions of higher learning, you can expect a significant increase in pressure for federal intervention.

Secretary of Health, Education, and Welfare Marion B. Folsom said recently:

"You may be sure that, if plans are not made to do something about this, the demand is going to be so

great that some government is going to have to step in."

Thus, although the problem now is one of education, it soon is likely to become an important national political problem.

Here is the background:

By the end of this month more than 3.4 million young people will be enrolled in the nation's colleges and universities.

The figure is about 206,000 higher than last year.

By 1965 college enrollment will total about 5 million. The figure could reach 6 million by 1970 and 8 million by 1975.

The outlook for higher education is further complicated by the increasing pressure from adults for college-level courses. About 35 million persons—more than the total number of pupils now enrolled from kindergarten through public high school—are seeking self-improvement and higher job classifications through organized study. In ever greater numbers they are attending evening courses and seeking more off-campus offerings in academic as well as vocational and technical subjects.

The pressures on facilities and faculty, however, are not all the result of increases in college-age population or demand for adult education.

Many of them arise because of a

changing public conception of what a college should do. Under the general heading of area services, colleges and universities are being asked to take part in community and industrial development, provide consultant services for business and communities as well as labor unions, do research on a wide variety of subjects, and many other things not related to teaching.

Such activity means that the college staff now includes many people whose skills are far from those traditionally regarded as necessary in an institution of higher learning.

To anticipate future problems and possible solutions, some states have created commissions to study what the future holds. One such state is Illinois. In a recent report to the governor and the state legislature, the Illinois Higher Education Commission found:

- That the state would need 144,000 new college teachers by 1966-70. It now has 47,000.
- That the number of college age youngsters, 886,000 in 1950, would jump 73 per cent by 1977.
- That the number of full time day students, 95,000 in 1950, would skyrocket 133 per cent by 1977.
- That total college level enrollment, which was 143,000 in 1950, would soar to 344,000—or an increase of 141 per cent—by 1977.

Many authorities believe that the findings of the Illinois Higher Education Commission are representative of what will happen throughout the nation. For example, the nation now has about 15 million youngsters of college age, that is, 18-24. Although that's the lowest figure in a quarter of a century, the big increase in the birth rate which followed World War II soon will begin to swell the number of college-age youths.

The figure will rise to about 20 million by 1965 and to 28 million by 1975.

Moreover, larger percentages of our youth are attending colleges.

In 1900 only about two per cent of the persons 18 to 24 attended college. The figure rose to nine per cent in 1940 and now is about 20 per cent. Authorities say the trend shows no signs of slackening.

College officials, as they eye the future, are considering two basic alternatives:

► Should they keep their doors open to everyone who wants an education,

versity at Carbondale. SIU was a small teachers' college. Enrollment in 1940 reached a peak of 2,100. During World War II it fell off to a low of 785.

Then, in 1947, SIU became a university. Enrollment soared. By the time the flood of war veterans diminished, great numbers of new students just out of high school were flocking to the university. As classes reopen this fall, SIU will have about 7,000 students in three colleges, four schools, and three divisions. Another 4,000 will sign up for extension and adult education work. There are two major reasons for these gains.

1. The school broadened its educational scope when it was elevated to university status in 1947, thus attracting large numbers of students who previously either had to travel long distances to train for any career outside of teaching—or not attend college at all.

2. Starting from scratch, the new university tailored a curriculum to practical needs in its primary service



“ You may be sure that, if plans are not made to do something about this, the demand is going to be so great that some government is going to have to step in. ”

Marion B. Folsom, Secretary of Health, Education, and Welfare

mass-producing graduates at the risk of lowering standards?

► Or should all colleges, public as well as private, limit enrollments?

Educators regard both extremes as dangerous. One would reduce the comparative value of a college degree. The other would deprive potential leaders of the chance to prove themselves.

One school which has already suffered the growing pains colleges generally will have in the next 10 to 20 years is Southern Illinois Uni-

versity at Carbondale. SIU was a small teachers' college. Enrollment in 1940 reached a peak of 2,100. During World War II it fell off to a low of 785.

Since 1949, SIU has added \$20 million worth of new buildings. The campus has spilled over residential areas and farms until the school now owns 2,500 acres of land and leases other facilities from federal, municipal and private agencies.

Construction has been going on continuously for eight years. Six new residence halls were built this year. An agriculture building will be put into use this fall. Two more large building projects are

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AID TO COLLEGES

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ready to start. Plans for other buildings and future expansion are in various stages of development.

Nevertheless, the surge of enrollment—such as colleges everywhere will soon experience—has left SIU's building program behind schedule. Facilities now are adequate only for the enrollment of eight years ago.

To bridge this gap, the university uses 170,000 square feet of space in barracks, quonset huts, and former residences for classrooms and laboratories.

New buildings are pressed into use as soon as they have four walls and a roof.

To make fullest use of the space it has, the school schedules regular classes from 8 a.m. till 9 p.m. for five days a week and also has classes on Saturday mornings.

Faculty members work on a tight schedule, too. Top administrators, deans, the registrar, and other high echelon staffers carry classloads. Graduate assistants and graduate fellows help relieve professors of lesser duties so they can counsel students, serve on committees, con-

duct research, and take extension assignments.

Like other schools of higher learning, however, not all pressures on faculty and facilities are the result of student numbers.

In the case of SIU these pressures come from industries, farm groups, homemakers, municipal government, social agencies, and other components of the community.

President Delyte W. Morris and other administrators feel that education is a life-long process. In their view, seats of learning have an obligation to people of all ages in the geographical or cultural area the institution serves.

"Whatever its facilities," says Dr. Morris, "the college should do its utmost toward educating the public at large. An informed public is critically needed in the defense against the forces which seek to undermine our time-honored system of a free democracy."

In line with this thinking, the school sends consultants to towns in the area to help analyze local problems through basic research, to address town meetings, to help make industrial and agricultural surveys, and to help in other ways.

The community development staff

Demand for a greatly broadened role



puts all colleges into

more new and expanded activities:

Community development



Consultant aids and services

Research efforts in many fields



of the university includes an industrial consultant whose job is to steer factory prospects to the area. The school also provides special architectural and engineering studies, and develops technical training programs through its Vocational-Technical Institute.

In a group of wooden structures formerly housing an army ordnance plant, the college regularly offers courses in welding, cosmetology, wood technology, machine drafting and design, radio and television maintenance, auto repair, and dozens of other skills and crafts.

"We do not argue that the university is the proper place for these courses or that they are a necessary part of a university," President Morris explains. "We simply say that if there is a need for certain skills and only this university can teach them, then we should by all means do so."

Associate degrees are given after two years of specialized courses in trades and business, interwoven with general courses in public speaking, English, civics, and mathematics. Night classes, in everything from accounting to window display, move from town to town. One two-year series of courses, for industrial managers of plants on the Illinois side of the Mississippi River, opposite St. Louis, will have 750 students during the coming school year.

The great bulk of faculty research, in the arts, sciences, education and business, aims at material benefits for southern Illinois.

The SIU Small Business Institute offers professional counseling and service to retailers, wholesalers and small manufacturers. A wood products pilot plant coordinates teaching and forest research with market surveys, production and distribution of items made from the area's vast reserves of low-grade hardwoods. The Southern Illinois Tourist Association was organized on campus last year. College staffers also contribute their energies to the Southern Illinois Labor Relations Council and to the Personnel Management Association.

Although some educators and laymen believe such fringe projects weaken the dignity of a university, others defend this broad concept of higher education on grounds that it is promoting better job efficiency, making better citizens, and inspiring a cultural renaissance among people who may never have set foot inside a college classroom.

Regardless of how educators feel about such extracurricular projects, however, the fact is that people are demanding that these things be

(continued on page 108)

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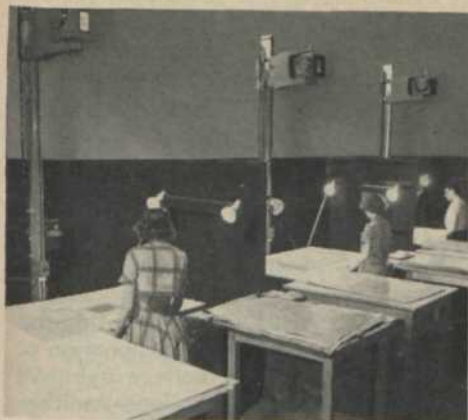
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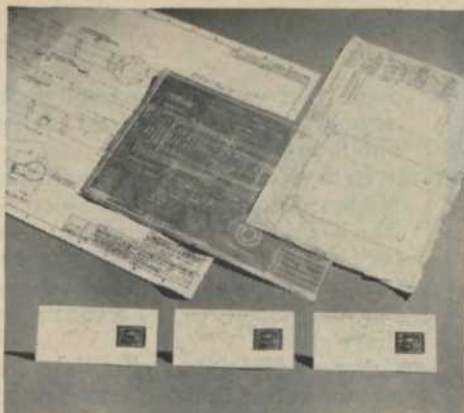
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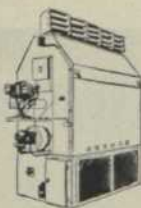
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AID TO COLLEGES

continued

done. Universities presumably must assume responsibilities or ignore public pressures.

In the state as a whole, the Illinois Higher Education Commission, of which President Morris is a member, has made a number of suggestions to handle the present heavy burden and get ready for the impact that's ahead.

For example, the Commission has recommended that the state provide scholarships to private schools which are currently operating at about two-thirds capacity. The Commission also advised that the state's present 17 junior colleges, which had 9,500 students in 1955, be increased in number until they can accommodate 25,000 to 30,000 in the next 20 years.

Relating plans to meet future problems, President Morris recently told the state legislature that SIU alone will need \$169 million for capital improvements in the next 12 years. The University of Illinois, at Urbana, will need \$151 million in its capital budget between now and 1969, according to President David Dodds Henry, and would have required more if plans for future growth had not been undertaken several years ago.

These are only two of Illinois' 100 institutions of higher learning.

Apply these plans over the nation to nearly 1,900 colleges and universities, and the cost of equipping education for the next generation of students appears staggering. President Nathan Pusey of Harvard University believes we will at least have to duplicate the physical facilities built up over the past 300 years.

According to Ronald B. Thompson, registrar and university examiner of Ohio State University:

"Basically, the need for expanded facilities in higher education during the next 15 to 20 years will be directly proportional to increasing enrollment. Unless present and planned facilities can be better utilized in the future, it will be necessary to build, within 20 years, as many classrooms, laboratories, offices, and other buildings as now exist on all the college and university campuses in the entire United States."

According to the American Council on Education, construction costs are estimated at \$13 billion over the next 10 years, or almost double the present rate of expenditure for this purpose.

Mr. Thompson believes that the \$13 billion estimate—\$6 billion for replacement and \$7 billion for new

construction—"is conservative unless we can find a far better way to use our present facilities." Others place needs at about \$10 billion.

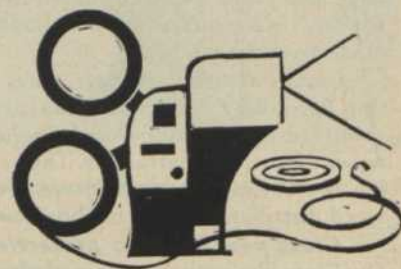
Regarding teachers, J. Conrad Seegers, president of Muhlenberg College, says:

"At this moment, about 190,000 men and women are teaching in American colleges. That provides a ratio of about one instructor for every 13 students. If we assume that same faculty-student ratio, and assume that the same proportion of boys and girls of college age will continue to attend college—neither of which assumptions is necessarily accurate—we will need 250,000 college teachers by 1960, and 495,000 by 1970."

If colleges and universities don't get the funds for this kind of expansion—whatever the ultimate cost—educators say the simplest course is to restrict enrollments.

The big question is:

Will they then be able to turn out enough students to meet mini-



mum demands for college trained personnel?

Shortages have already been felt in some fields of business and industry.

One prospect jointly feared by many educators and businessmen is the threat of possible federal intervention.

Here is how Dr. Harlan Hatcher, president of the University of Michigan, views prospects:

"Basically, the federal government has so heavily pre-empted the sources of revenue that the state does not know how to meet its needs with what is left.

"With private and corporate support unavailable, and with the state feeling poor and crowded out of a tax supply, the task of outfitting the colleges and universities will inevitably shift to our Great White Magician Father of More and More—the federal government."

Perhaps one of the strongest advocates of federal intervention will turn out to be the federal government itself.

Recently HEW Secretary Folsom, said:

"Already, enrollment in colleges and universities is at an all time peak. Yet, in the next 10 to 15 years,

the number of young people seeking higher education will double, perhaps triple."

The American people, the Secretary asserted, "must face up to the hard fact that one of the things needed is money—much more money than we have ever spent for education."

Spending, he said, will have to be "stepped up sharply for at least a decade in order to catch up with the accumulated deficiencies and take care of increased enrollments by 1970."

"There is imperative need now for action and planning on a nationwide scale to meet the educational needs of those who finish high school."

Mr. Folsom says only six states are really making a careful plan of how they are going to meet this problem.

Will the federal government step in if states fail to make plans?

"I don't know," Mr. Folsom told an interviewer. "We will have to wait for that time."

What is the Administration's philosophy about the extent of federal participation in affairs of this kind?

Mr. Folsom said:

"We believe that when the welfare of the whole people is involved in certain problems which are nationwide in scope, a problem which cannot be solved or solved quickly enough by private efforts, or local and state governments, then there is a deep federal responsibility to help."

The federal government, of course, is already deeply involved in financing higher education.

"A quarter of a century ago," says Wilson Compton, former president of the Council for Financial Aid to Education, Inc., "student payments and legislative grants provided 75 per cent of the total income for education and general programs of colleges; endowment earnings, 18 per cent; gift income, seven per cent."

"In 1950, the last full year of the GI bulge, the total income of colleges for educational operations was 56 per cent from tuitions and state appropriations, 31 per cent in various forms from the federal government including veterans' payments, six per cent from endowments, and seven per cent from gifts."

For the future, who will provide funds?

Mr. Compton says:

"The state legislatures presumably will provide at least half."

"Some of these needs no doubt will be met by federal college housing loans."

"But additional capital funds will be required on a large scale."

—EDMUND C. HASSE

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CLOTHING SALES

continued from page 39

with incomes under \$4,000 spend \$15, and families with incomes of \$10,000 and more spend \$35 per year.

Footwear

Street, business and play shoes, rubbers and galoshes purchased for women and girls this year will total at least 400 million pairs, and cost about \$2.3 billion. These purchases are expected to reach \$3.1 billion in 1965, a rise of 35 per cent. Footwear expenditures for women and girls are about 0.8 per cent of total consumer expenditures for families with incomes of \$4,000 to \$9,999, but a somewhat smaller proportion of total expenditures for families with lower and higher incomes. An-

nual dollar expenditures rise from \$20 per year for families with incomes under \$4,000, to \$75 per year for families with \$10,000 and more.

Hats, gloves, accessories

Expenditures for women's and girls' hats, gloves, handbags, umbrellas, handkerchiefs, belts, jewelry, watches, and similar items will total about \$2.3 billion this year, but are expected to reach \$3.1 billion in 1965, a rise of 35 per cent. As incomes rise, the proportion of total expenditures for these items increases rapidly. Families with incomes under \$4,000 devote only 0.6 per cent of total expenditures to hats, gloves and accessories, while families with \$10,000 incomes spend 1.3 per cent. Average annual dollar expenditures today are \$15 for families with under \$4,000 income, but \$150 for families with \$10,000 and more incomes.

Men's and boys' clothing

up
36%

Total expenditures for men's and boys' clothing this year will be about \$8.9 billion. Spending is expected to increase 36 per cent by 1965, reaching \$12.1 billion. Families with incomes under \$4,000 devote 2.5 per cent of all expenditures to men's and boys' clothing, while families with \$10,000 and more income use 3.5 per cent. Of the total dollar market for men's and boys' clothing, 15 per cent is in families with incomes under \$4,000, 22 per cent in families with \$4,000 to \$5,999 income, 41 per cent in families with \$6,000 to \$9,999 income, and 22 per cent in families with incomes of \$10,000 and more.

Outerwear

Sales of men's and boys' suits, coats, jackets, shirts, and other outerwear items will total about \$5.2 billion this year. They are expected to reach \$6.9 billion in 1965, a gain of 33 per cent. The proportion of family expenditures for these items increases as income rises, being 1.5 per cent of total expenditures for families with income under \$4,000, but reaching 2.2 per cent for families with incomes of \$10,000 and more. Families with incomes under \$4,000 spend an average of \$40 per year for men's and boys' outerwear; families with \$10,000 and more spend about \$350.

Underwear,nightwear,socks

This year's expenditures for men's

and boys' undershirts, shorts, pajamas, socks, and similar items will total about \$900 million. They are expected to reach \$1.1 billion in 1965, a rise of 22 per cent. Families with under \$4,000 income spend about \$10 per year for these items, but families with incomes of \$10,000 and more spend roughly \$50.

Footwear

Men and boys will buy about 150 million pairs of shoes, slippers and rubbers this year, spending about \$1.7 billion. These expenditures in 1965 are expected to total \$2.5 billion, up 47 per cent. Expenditures for men's and boys' footwear are about 0.7 per cent of total expenditures for families with \$4,000 to \$9,999 incomes, but a somewhat lower proportion for families with lower and higher incomes. These expenditures are about \$15 per year for families with incomes under \$4,000, but rise to \$55 per year for families with \$10,000 and more incomes.

Hats, gloves, accessories

Men and boys will spend about \$1.1 billion this year for hats, gloves, belts, handkerchiefs, jewelry, watches and other accessories. These expenditures are expected to total about \$1.6 billion in 1965, up 45 per cent. Proportion of total family expenditures allotted to these items rises steadily as income increases. Families with incomes

under \$4,000 use only 0.2 per cent of total expenditures for these items, while families with \$10,000 and more use 0.5 per cent. Annual expenditures are \$10 per family with income under \$4,000. This rises to \$70 for families with \$10,000 and more income.

Clothing for children under two



This year's expenditures for clothing for children under two years old will total about \$400 million, but is expected to be approximately \$500 million in 1965, a rise of 25 per cent. Each year only some 10 per cent of all families purchase clothing for children under two.

Clothing materials



Consumer expenditures for yard goods, yarns, pins, needles, and other materials and supplies used in making clothing will total about \$700 million this year. They are expected to reach \$800 million in 1965, a rise of 14 per cent.

Clothing services



Expenditures for cleaning, pressing, dyeing, and storage of clothing, shining and repairing shoes, and similar services total about \$3.2 billion this year, but are expected to rise 52 per cent by 1965, reaching \$4.9 billion. With rising incomes families devote a larger proportion of total spending to clothing services. Families with incomes under \$4,000 spend \$30 per year, or about one per cent of total spending, for clothing services. Families with incomes of \$10,000 and over spend about \$150 per year, or 1.3 per cent of total consumer spending, for clothing services. END

REPRINTS of "Clothing Sales Projected to 1965" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St., N.W., Washington, D.C. Please enclose remittance with order.



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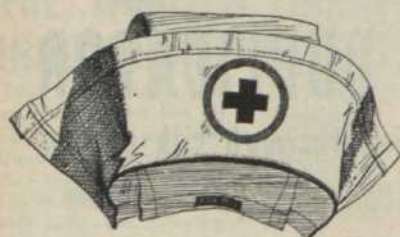
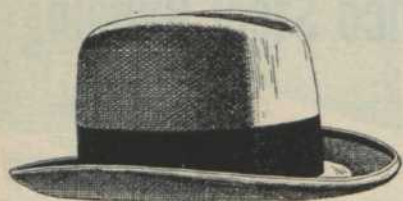


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Executive Trends

What managers talk about behind closed doors

Interest in recent closed meetings of executives at an eastern retreat for management education focused to a surprisingly great extent on know-how techniques of management. Even such perennially popular subjects as taxes and collective bargaining took a back seat. The talk points up executives' seemingly insatiable appetite for practical solutions to management problems.

► *Specific subjects which attracted attention include finding, developing and appraising managers; how an executive should divide his time; how to establish research and development programs and maximize their productivity. Motivation of workers now commands a great deal of executive interest.*

Future will see added interest in finance

Off-the-record talk of managers also points to growing interest in developing the ability of nonfinance executives to analyze and interpret financial data. The current profit squeeze undoubtedly is accentuating this interest.

If understanding of the finance function is a pressing problem now in your company, you might consider sponsoring special clinics on how finance relates to other company activities.

► *Awakening interest in the need for giving nonfinance executives a deeper grasp of finance highlights the fact that present-day managers need to know a lot of things—credit, finance, advertising, psychology and—with business increasingly assaulted on the legislative front—politics.*

Smaller businesses need know-how, too

Coming months will see more and more discussion of how smaller businesses—even the very small—can benefit from the most advanced techniques of management. The smalls can use the same principles that the bigs are using. One large management training organization is so convinced of the applicability of management training to smaller companies that it is spending thousands of dollars pushing a crash program to fill the specific training needs of small firms.

► *Fact is that small businesses need improved methods of operation more than they do special favors from the federal government. This clashes with efforts of some groups to set smalls against bigs. At least one small businessman recently exposed to management training for larger firms says he has been able profitably to adapt the techniques to solving his own problems.*

Management education will surge on all fronts

The interest of companies of all sizes in the techniques of modern management has grown at an incredible rate since World War II. A number of factors explain this phenomenon, including the in-

creasing complexity of doing business, rapid expansion of many companies and industries, greater awareness of the human factor in business. A good barometer of the rapid growth of management education—and its future potential—is the American Management Association, a nonprofit management education organization. AMA was training about 17,000 executives annually at end of war, now trains 85,000.

► *This month AMA opens its new Academy of Advanced Management at Saranac Lake, New York, adding to its already swelling programs (12 meetings in 1945-46, 1,000 this year). About 3,000 executives will undergo training at the academy next year.*

What direction will future training take?

The shape of coming education in management techniques already is discernible. Simulation theory—the use of games and other techniques to teach on-the-job skills away from the job—will be sharpened. The decision game (see “How to Build Know-how Fast,” NATION’S BUSINESS, July, 1957) will be a popular method. Others will include the acting out of management situations, adaptation of athletic coaching principles to the appraisal of executive performance, training of executives in use of closed circuit TV, other visual aids.

► *The rehearsal of presentations to boards of directors, management committees, sales teams, etc., is one device which is under study now. Watch for future development of this concept. You can also expect to hear more about the art of decision-making, a managerial skill which is perhaps more vital than all others.*

Teamwork comes under fire

Postwar fascination with brainstorming, management by committee, and other examples of cohesive group action is running into resistance. The pressure is coming from a new, articulate and, as one management expert describes it, “flashy school of sociologists” which sees serious dangers in the emphasis on group dynamics in management. These critics warn that executive individuality is drying up under the withering heat of conformity.

► *Despite such misgivings, many students of management do not think industry is stifling its individualists by emphasizing the value of teamwork. The man who is a true individualist, a genuine innovator, can survive and flourish in even the most heavily organized and conformist organization, they say. In fact, they add, group action may make him more assertive, more creative as an individual because he will be working harder to be heard.*

Don't apologize for profits

The profit squeeze, and debate over the wage-price spiral, has set many executives to thinking philosophically about the whole profit structure.

Economists emphasize that profits are the power plant which drives the American economy. Yet, some businessmen pussyfoot around that fact. Not, however, a certain oil company president. He says profits are the only source from which a business can get the two things it needs to survive—money to pay for the capital invested, and money to invest in expansion of the business and improvement of its product or service.

► *Profits insure continued employment and payrolls. And, as our oil company official points out, “Unless a business survives (by making profits) it won't be around to fulfill those social responsibilities that so many people keep talking about.”*

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		A.B.C. Sound Engineering Co.	
		NEW YORK	
		PL 7-0992	
		Alpha Typewriter Corp.	
		NEW YORK	
		MU 2-6666	
		William C. Cullen, Inc.	
		NEW YORK	
		RE 2-7883-4	
		Eastman Kodak Stores Inc.	
		NEW YORK	
		LO 4-6240	
		M. C. Flynn	
		NEW YORK	
		PL 8-2080	
		General Dict. Machines, Inc.	
		NEW YORK	
		RE 2-5454	
		Midtown Typewriter Co.	
		NEW YORK	
		AL 5-4752	
		Peerless Camera Store, Inc.	
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		MU 7-1000	
		Sonacraft Corporation	
		NEW YORK	
		JU 2-1750	
		Stentor's	
		NEW YORK	
		MU 6-5353-4	
		Willoughby's Bus. Methods Corp.	
		NEW YORK	
		LO 4-1600/1694	
		Bell Office Equip. Co.	
		PEEKSKILL	
		PE 7-3242	
		Vaeth Office Supply, Inc.	
		POUGHKEEPSIE	
		GR 1-1390	
		City Typewriter, Inc.	
		ROCHESTER	
		BA 5-9690	
		Culver Office Equipment Co., Inc.	
		SCHEMECTADY	
		FR 7-6446	
COLORADO		NORTH DAKOTA	
Broome Bros., Business Div.	LI 5-1201	Whiting's	
PUEBLO		FARGO	
Colorado Visual Aids Supply Co.	AL 5-5408	Ph. 5-1461	
DENVER		Standard Office Supply	
		MANDAN	
		MA 8245	
COLORADO		OHIO	
Broome Bros., Business Div.	LI 5-1201	Allied Office Machines of Akron	
PUEBLO		AKRON	
Colorado Visual Aids Supply Co.	AL 5-5408	JE 5-2129	
DENVER		Ashabula Paper & Twine Co.	
		ASHTABULA	
		WY 2-8421	
		Vere Smith's Audio Visual Serv.	
		ATHENS	
		Ph. 3-1883	
		Canton Electronic Bus. Mach. Co.	
		CANTON	
		GL 2-3059	
		Business Equipment Co.	
		CINCINNATI	
		MA 1-241	
		Allied Office Machines	
		CLEVELAND	
		UT 1-2190	
		LINCO	
		COLUMBUS	
		CL 3-7266	
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		CH 4-2277	
		Click Camera, Inc.	
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		FA 3-9491	
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		CH 3-2511	
		Record Shop, Inc.	
		YOUNGSTOWN	
		ST 8-6571	
		Zanesville Typewriter Exchange	
		ZANESVILLE	
		Ph. 3-2689	
COLORADO		OKLAHOMA	
Broome Bros., Business Div.	LI 5-1201	Burt's Business Machines Company	
PUEBLO		OKLAHOMA CITY	
Colorado Visual Aids Supply Co.	AL 5-5408	JA 5-5222	
DENVER		TULSA	
		DI 3-3532	
COLORADO		OREGON	
Broome Bros., Business Div.	LI 5-1201	Albany Typewriter Exchange	
PUEBLO		ALBANY	
Colorado Visual Aids Supply Co.	AL 5-5408	WA 8-7633	
DENVER		Oregon Typewriter Co.	
		PORTLAND	
		CA 7-3885	
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Broome Bros., Business Div.	LI 5-1201	Nichols	
PUEBLO		BRISTOL	
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RULINGS COMING

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bar groups also have been delving into this subject. The passage last term of the bill clarifying access to FBI files is an example of this new congressional approach to the Court.

Why this difference in reaction between the 1930's and today? One reason may be the overwhelming rejection of the Roosevelt attempt to change the Court itself. Another certainly is the fact that responsibility for controversial rulings is spread through the entire Court; some of the most widely criticized have, in fact, been unanimous and two of the most controversial opinions were written by middle-grounders Frankfurter and Harlan (the former wrote the opinion in the Mallory decision, limiting police power to hold criminals before arraignment, and the latter wrote the opinion overturning convictions in California under the anticommunist Smith Act and condemning the security firing of John Stewart Service from the State Department). A final reason for the difference in reaction may be that some of the most controversial decisions have been written by appointees of President Eisenhower, whose sponsorship gives a certain immunity from attack that would not exist if the justices had been appointed by Presidents Roosevelt or Truman.

It is likely that the decisions of the Court receiving the most attention in the new term will be those dealing with the still smoldering issues of segregation, the status of communists and civil rights in general.

Here is a rundown on the most important business cases before the Court as the term begins.

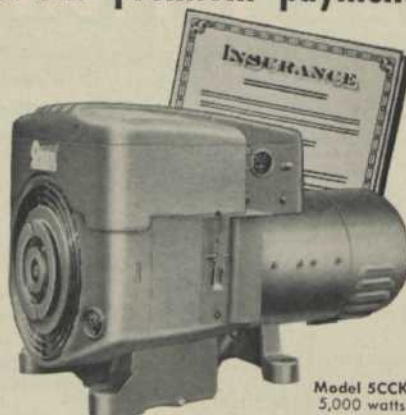
Labor Relations

Probably the most controversial of a number of vital labor cases on the docket are those testing the legality of hot cargo clauses in labor contracts. These are clauses under which the employer and the union agree that union members are not to be required to work on non-union materials.

If workers were to refuse to work on non-union materials without such a contract clause, their action would clearly be a secondary boycott and, therefore, illegal under the Taft-Hartley law. The question is whether the fact that the employer agrees to the clause in the contract makes the practice legal.

The National Labor Relations Board says "no," that the practice

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is still illegal despite the contract clause. But lower courts have ruled differently in different cases, the Board says, and the time has come for a final ruling from the Supreme Court.

Another basic labor issue before the Court is whether a company can insist, in bargaining with a certified union, that all its employees—and not just union members—take part in a strike vote.

In bargaining with a union already certified by the NLRB, the Borg-Warner Corp. conditioned a final agreement on two provisions: That the union could not call a strike or reject any company last offer except after majority approval in a secret ballot election of all the company's employees, and that the union's local affiliate rather than the international union should be named as the contracting party. The NLRB said that since the international union had already been certified, both company demands were outside the bargaining area and that the company's insistence on them was an unlawful refusal to bargain.

The Sixth Circuit Court of Appeals said the insistence on recognizing the local as the contracting party was wrong, but that the secret ballot demand was proper. The government is appealing the second half of the ruling and the company is appealing the first half. Labor experts feel the issue raised in the government's appeal is an extremely important one in future labor relations.

An employer's right to influence his workers is involved in two other cases. In one, the company banned employees from distributing pro-union literature in the plant, but itself distributed anti-union literature. The NLRB said this was proper, but a lower court said it was not. In the other case, a company issued a rule against unions soliciting members during working hours but at the same time it carried on a vigorous anti-union campaign during those hours. This time the Board said the company was wrong, but a court said it was right. Both cases have been appealed.

The NLRB has brought up another case which it says will have wide effect in cases of illegally discharged workers. It involves the question of how much back pay the workers are entitled to when they are later reinstated. Generally they are considered to be entitled to what they lost less what they earned elsewhere in the interim.

A group of workers, discharged illegally, looked for similar work elsewhere but were unable to find

it, so they claimed total recompense for the time they were illegally ousted from their jobs. The NLRB agreed with their position that it is enough if a worker makes a reasonable effort to find work similar to what he had been doing, that he need not take a less remunerative job. But the Appeals Court said the workers were obliged to look not only for equivalent work but also for less remunerative work, and that the workers were entitled to only partial back pay because they hadn't done so.

Still another labor case tests the right of southern cities to require union organizers to obtain expensive permits before soliciting members for the union and to pay heavy fees for each member signed up.

Taxes

A set of cases poses the question of whether fines paid for law violations and amounts paid in wages and other costs involved in violations of the law are tax deductible. The government argues that they are not.

Two cases question whether amounts paid by truckers as fines or penalties for violations of state weight limit laws can be deducted as ordinary business expenses. The government says they should not be deductible because to allow deductions would frustrate the public policy involved in the weight laws.

Another contests the deductibility of wage payments made in violation of the Korean war's wage stabilization program. Three others question whether three Illinois bookmakers can deduct as business expenses money paid to rent premises and pay employees even though Illinois law prohibits bookmaking. The government lost the bookmaker cases in the lower courts; it won the others.

Another important group of cases involves the right of cities, counties and states to tax property leased from the federal government by private firms and to tax material held by federal contractors operating under payment agreements.

In several instances, private firms leased plants from the United States government. Cities and states levied property taxes on the plants, claiming they were taxing the lessees. The government says the tax is really on the property and thus on the federal government. That, it says, is unconstitutional. A number of cities, especially in Michigan, have been winning court fights on this point.

A related question involves property covered by progress payments. Several firms working on govern-

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RULINGS COMING

continued

ment contracts received progress payments for parts and other equipment held by them. Under the contracts, the title to the equipment was vested in the government as soon as the payments were made. Nonetheless some localities tried to put a personal property tax on the equipment. One appeals court said the city of Detroit and Wayne County could not exact such a tax since the property belonged to the federal government. But the Wisconsin Supreme Court said the city of Kenosha could levy the property tax under such circumstances.

A tax case of vital interest to the oil and gas industry and other mineral industries involves the tax treatment of so-called "in oil" payments. Normally, money received each year by the owner of a mineral property for continuing mineral production is considered ordinary income for tax purposes. Some persons, however, have entered into deals whereby they sell for a flat dollar amount the right to a fixed amount of oil or other mineral. In five cases, lower courts have held that this sort of lump sum sale entitled the seller to the much lower capital gains tax treatment. The government, appealing to the Supreme Court, says that millions of dollars of federal revenue are at stake.

A more technical case raises the question of whether the sale of a rebuilt auto engine is the sale of a manufactured auto part and therefore subject to the federal excise tax on auto parts. Engine rebuilders claim they take old engines, dismantle them, machine usable parts, put in new or salvaged parts to replace those found to be nonusable and sell the completed job. They say this amounts merely to repair or assembly, not manufacture.

Antitrust

This is an area crowded with major cases awaiting decision. One vital case, before the Court for a second time, involves the good faith defense against charges of illegal price discrimination under the Robinson-Patman Act. The Federal Trade Commission charged the Standard Oil Co. of Indiana with illegal price discrimination in selling gasoline in the Detroit area. It asserted that Standard sold to four large customers at prices below those charged smaller customers, and that this injured competition.

Standard's defense included the claim that it had granted the lower

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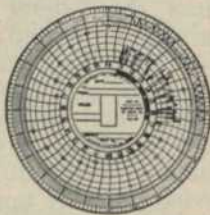


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prices in good faith to meet the prices quoted to those four large customers by competing suppliers. The Seventh Circuit Court of Appeals upheld the FTC, but the Supreme Court several years ago ruled that the defense was a valid one. It sent the case back to FTC to determine whether the facts were as Standard claimed.

The FTC then decided, three to two, that Standard's method of pricing was not in fact based on prices offered by competing sellers but on an arbitrary classification of customers. The Seventh Circuit this time upheld the company and the FTC has appealed to the Supreme Court. The agency says the lower court decision, which would control dozens of cases already pending and all future cases in this area, would actually provide an incentive to competing sellers to adopt parallel pricing systems so each could use the others' as a defense of its own.

Another major antitrust case involves the three leading soap manufacturers and poses a far-reaching question: Do the defendants in a civil antitrust suit have the right to the transcript of a grand jury investigation for possible criminal violations where no indictment was returned? The government charged in a civil suit that Procter & Gamble Co., Colgate-Palmolive Co., and Lever Brothers Co. had restrained the manufacture and sale of soaps and detergents. A District Court said the government was using the transcript of a grand jury investigation in preparing its case and ordered that the transcript be made available to the soap companies. When the government refused, the court dismissed the civil suit.

The government is now appealing, arguing that the defendants are not entitled to see their opponents' evidence in advance, and that it is vital to maintain the secrecy of grand jury investigations.

Several suits before the Court pose the question of whether a violation of the Robinson-Patman Act gives an injured party the right to sue for treble damages. This is a right that injured parties have under the regular antitrust laws, but whether the right extends to the Robinson-Patman Act, which deals with price discrimination, has never been settled. One Circuit Court said "no" in two cases; another said "yes" in a third.

Another group of cases involving the auto replacement parts industry raises an issue affecting all industry. It hinges on the question: Can a court postpone the effective

date of an FTC order directing a company to cease illegal price discrimination until like orders have been issued against the company's competitors?

In the pending cases, the FTC ruled that the business of jobbing auto parts is highly competitive and that when a company gives different discounts to different jobbers it injures competition. The court agreed that each company's pricing set-up was injurious, but also noted that the FTC had complaints against only three of 19 companies selling parts. It refused to uphold the FTC order that the

pricing set-up be changed forthwith and instead said the change should take place later, at such time as the court might direct, depending on what the FTC does about the other 16 firms.

The FTC claims that this approach would mean that its orders would be forever pending and never final and that this creates a new defense against price discrimination charges: the claim that the FTC hasn't acted against competitors.

A case of vital interest to the shipping industry and one which presents the spectacle of government agencies fighting each other



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RULINGS COMING

continued

involves the dual rate system of fixing ocean shipping rates. Many shipping firms covering a given area organize into a shipping conference and the dual rate system gives a lower rate to shippers promising to use vessels of conference members.

Isbrandtsen Co., the only shipping firm carrying goods from Japan to American gulf and Atlantic ports which doesn't belong to the Japan-Atlantic and Gulf Freight Conference, protested the conference set-up to the Maritime Board. When Maritime upheld the dual rate system, Isbrandtsen went to court, and got a decision declaring the dual rate system illegal per se.

Maritime, appealing, says the lower court decision would deprive the shipping companies of their only safeguard against destructive competition. But the Department of Justice and the Agriculture Department have entered the case on Isbrandtsen's side.

Another case, involving antitrust aspects of transportation, questions whether railroad preferential rout-

To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves and abhors is sinful and tyrannical.

—Thomas Jefferson

ing agreements violate the law. These agreements are often written into contracts when a railroad sells or leases some of its land. They provide that the person buying or renting the land agrees to ship goods on the railroad. The government holds that such agreements violate antitrust laws, and the lower courts have agreed.

Fair trade

Closely related to antitrust is fair trade, and the Court has before it now a case which could well help determine whether fair trade will survive much longer. The case raises the question whether a discount house in an area without fair trade laws (in this case the District of Columbia) can sell by mail to customers in fair trade states.

General Electric has sued Masters Mail Order of Washington, claiming that Masters' sales by mail to customers in New York violate the New York fair trade law. The appeals court held that the law must be enforced not on the basis

of where the customer lives but where title passes for the product sold, and that, in the case of these mail order sales, title passes in the District of Columbia. General Electric is appealing that decision.

Miscellaneous

Another business interest case questions whether the government has the right to sue for false claims made to government corporations and so-called independent agencies such as the Federal Housing Administration. The United States sought recovery in several cases involving false claims made in the course of obtaining government loans from the Commodity Credit Corp. and loan guarantees from FHA. Appeals courts have ruled, however, that the United States has no standing where the claims have been made to a government corporation or independent agency.

In appealing the decisions, the government argues that the money involved is all government money. It underscores the importance of the issue by pointing out that Congress has been making increasing use of corporations and independent agencies to carry on government business.

Several appeals raise anew the right of gas-producing states to set minimum prices on gas produced within their borders for resale in interstate commerce. The high court has ruled earlier that only the Federal Power Commission could regulate prices on this gas. But Oklahoma and other states have made rather loose interpretations of the High Court's finding, and several gas purchasers are back asking the Court to get tough with the producing states.

Four cases test the validity of contracts barring delivery of water from federal reclamation projects to private owners of more than 160 irrigable acres. The federal reclamation laws require irrigation districts and other water distributors to agree to such a clause. But on the protest of several large landowners, the Supreme Court of California held four to three that such clauses were invalid, discriminating against the larger landowners and depriving them of their rights. The government is backing the appeals of the irrigation districts from that decision, arguing that it "undermines the very foundation of federal reclamation policy." It warns that the United States will have to stop supporting reclamation and irrigation projects in California if the decision is not overturned.

—CHARLES B. SEIB &
ALAN L. OTTEN

WALTER REUTHER

continued from page 33

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UAW dues-paying membership is more than 1,320,000, based on the monthly average for last year, making it the largest of the Big Three, which includes the Steelworkers and Teamsters. The union is also strong financially, with a net worth

of \$34.7 million and liquid assets of more than \$26 million.

Of these liquid assets, \$22 million are held in a special strike fund ready to back up next year's demands on the automobile and other industries for a shorter workweek with even more take-home pay.

No employer can ignore Mr. Reuther. What his union gets from one company has a facility for spreading to other companies and other industries, or at least affecting their employee relations. His influence on legislation and national and international affairs affects almost everybody. The views he expresses influence economic thinking and action, which in turn affect business and economic conditions.

With this in mind, NATION'S BUSINESS sought the attitudes of businessmen toward the labor leader
(continued on page 124)

HOW TO COPE WITH MR. REUTHER

One businessman sketched for NATION'S BUSINESS what he thought might be a six-point management plan for coping with Mr. Reuther:

1. Speak out. Mr. Reuther has built himself up as the good guy while painting management as bad guys. He has been the big idea man, taking credit for all the benefits of industry while arousing suspicion regarding the motives of management. Management should speak out against Mr. Reuther's unsound proposals, getting the facts to the workers and building public opinion.

(Some executives who deal with Mr. Reuther don't agree. They don't want to bargain in public; besides, they feel the union often tries to bait management into taking a position seemingly against the interests of the employees.)

2. Minimize power. Power should be dispersed on both sides. Neither management nor the union should dominate. Today, power is centered in the union. UAW is stronger than any one company. Mr. Reuther stronger than any one executive. Since the automobile, aircraft and other companies the UAW deals with are highly competitive, Mr. Reuther and the union dominate. Union monopoly power must be curbed.

3. Act positively. Management needs a positive program of what it stands for. Too often it merely reacts to the initiative of the union or the government.

4. Win worker loyalty. Management must have a basic philosophy for dealing with employees, informing them so that they will participate in and approve decisions that affect them, receive satisfaction, and be more loyal.

5. Win community support. Too many companies duck a responsibility to help solve community problems. When a company takes a position on a civic issue—tax rates, for example—it often fails to explain its reasons. Industry does a lot of good in a community but doesn't get enough credit.

6. Build management symbol. Management needs more skill in human and public relations. It must develop more leaders who are symbols of management and are respected and admired by the general public.

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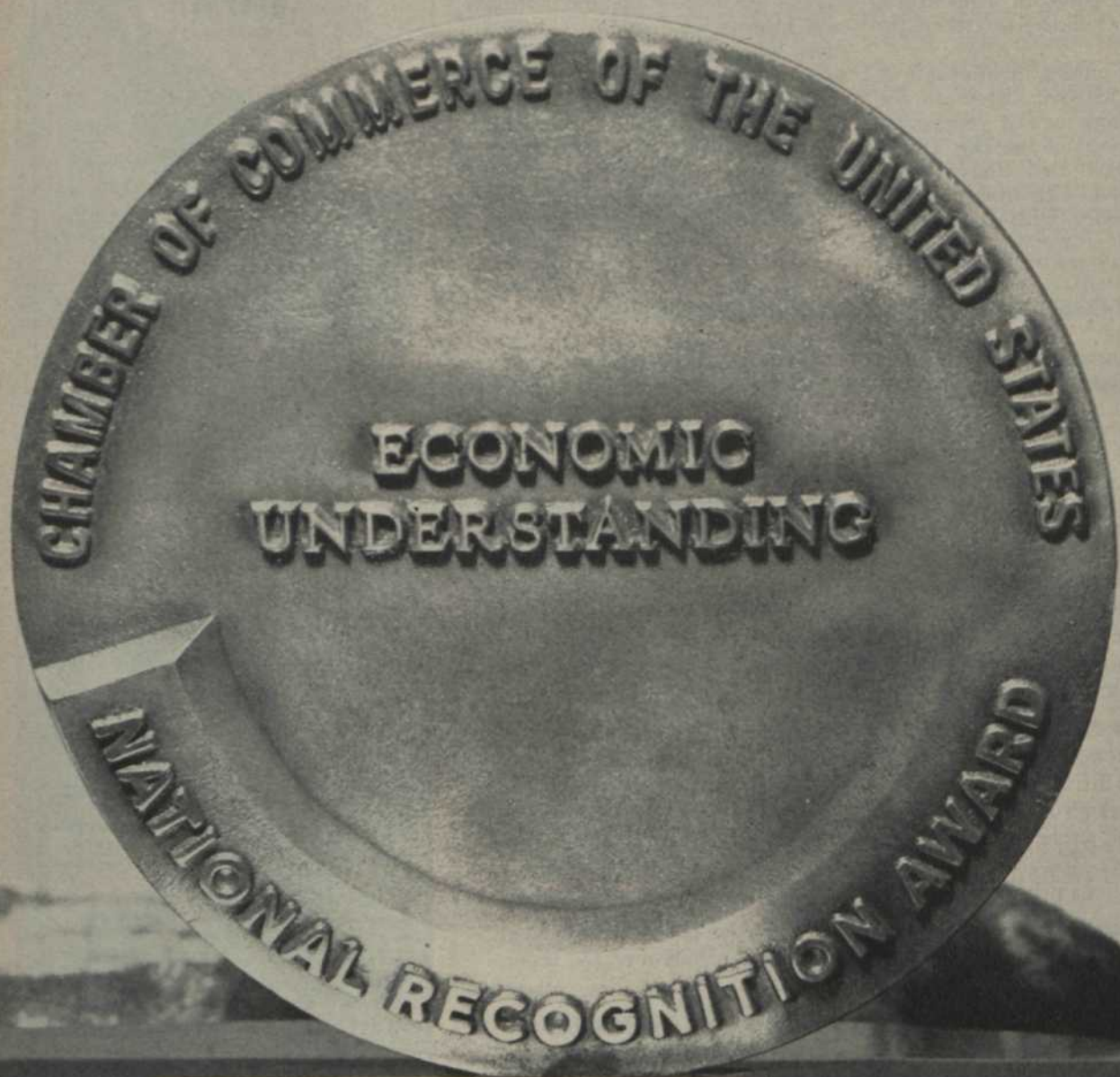


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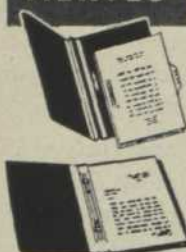
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WALTER REUTHER

continued

most likely to affect their business and the economy. Executives who have never met Walter Reuther face to face were interviewed as well as some who have dealt with him. Some are directly affected by his words and actions, and some are only indirectly affected. The men interviewed were in many industries—aircraft, automobiles, utilities, re-tailing.

In general, this is how they size him up:

Mr. Reuther himself

Mr. Reuther is dangerous because there is some possibility of his attaining socialistic objectives. He was a member of the Socialist Party and backed Norman Thomas for President in 1932.

In the 1930's, Mr. Reuther and his brother, Victor, his closest adviser, seemed sold on socialism. From Russia, where they worked for about a year in an industrial plant, the Reuthers wrote friends in Detroit describing the glories of the workers' lot under socialism, according to a letter placed in the *Congressional Record*.

Referring to "new concepts" and "new ideals," terms Walter Reuther uses today in pleading for his ideas, the brothers told how they were daily watching "socialism being taken down from the books on the shelves and put into actual application."

"Who would not be inspired by such events?" they asked their Detroit associates.

The letter closed: "Carry on the fight for a Soviet America."

Today Mr. Reuther is still selling socialism. He doesn't put a socialist label on his ideas, or admit they are socialistic, because otherwise the American public would reject them. The effect of his ideas would be the same, however, with or without the socialist label.

Take two current problems:

On developing peaceful uses of atomic energy, Mr. Reuther criticizes the government as relying too much on private enterprise.

On automation, he urges setting up a Permanent Commission on Technological Changes composed of representatives of labor, management, the farmers and government. The group would study developments in atomic and solar energy, as well as automation, and make recommendations to Congress and the President to assure that the benefits are fairly shared and full employment maintained.

Mr. Reuther doesn't say how this would be done, but the views of one of his principal assistants expressed at an International Metalworkers Federation automotive conference in Paris last year may offer a clue.

"While we in the states may have done some pioneering on automation," he said, "we have much to learn from the European experience as regards mobilizing our labor political strength for social gains at the political level."

The conference, of which Mr. Reuther's aide was chairman, passed a resolution under which the conferees decided to insist that their respective governments:

1. Insure fair distribution of the benefits of automation by forcing a reduction in prices through various devices, such as exposing profiteering, setting price ceilings, breaking monopolies by increasing public ownership of competitive enterprises, codetermination, and nationalization.

2. Regulate the volume and flow of investment capital, and favor industries which offer more job opportunities as against those which modernize merely to cut labor requirements.

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IMF's Automotive Department which conducted the conference.

He is artful, able, adroit in talking around rather than to an issue.

He is hard to attack because, by personal standards, he is considered a good man. He does not drink, smoke or play cards, is a devoted family man and shows no desire for personal wealth.

His desire is for power, and this to some is worse than immorality but harder to attack. He is inflexible in his thinking, and like most planners believes there is no compromise with the righteousness of his own cause. He is inclined to preach and to judge too strictly the morality of others.

Other Reuther plans

Mr. Reuther always has the answer to any problem, usually a plan, and usually it involves union-management-government participation. It makes no difference what the nature or scope of the problem is.

He first made headlines just before World War II, and before he reached the top in his union, with a guns-and-butter plan for producing automobiles and airplanes on adjacent assembly lines. The industry says later events proved it never could have worked.

Some of his other ideas:

Fearing heavy unemployment (which did not come) at the end of the war, Mr. Reuther proposed a Peace Production Board—an economic high command—with industrial councils in each industry composed of labor, consumer, management and government representatives. PPB would have controlled production, materials, tools, new patents, manpower, prices and distribution, industry by industry.

In 1949, as chairman of the CIO Housing Committee, he had a plan to use aircraft plants and skills to build prefabricated housing.

That same year, he wanted a government planning agency to prepare for the economic repercussions of commercial power production through atomic energy. Labor, industry, science, agriculture and other groups would be represented.

To force steel production expansion, Mr. Reuther wanted the government to build steel mills.

Fluctuating automobile prices—higher when new models come out, lower when sales drop—were proposed by Mr. Reuther to stabilize production. He believes labor should have a voice in pricing, as indicated also by his 1945 demand for a wage increase with no price increase.

Labor-management committees at local, state and national levels have

been advocated by Mr. Reuther to discuss business problems not covered by union contracts.

During the Korean crisis, he proposed a plan for producing machine tools under government control.

Right now, Mr. Reuther is pushing a five-point plan which he says is to discourage unwarranted price increases by large companies. A company would be required to give a government commission advance notice of intent to raise prices. The commission would conduct public hearings, at which the company would be required to show the need for higher prices. The company's records would be open to any group opposing the increase. After the hearing, the agency would publish the contentions of the company and the opponents of the price increases. After that, the company could go ahead with the price increases.

Mr. Reuther takes credit for the Kefauver Senate antitrust subcommittee investigation of pricing policies. He says that the UAW first called for such an investigation two years ago and repeated the request several times.

Global plans

Mr. Reuther's wide range of ideas is not limited to one industry or one country. Last year he sent Secretary of State John Foster Dulles a 10-point plan for creating a world fund to help ease world tensions through economic development of underdeveloped nations. The United States would, under his plan, contribute two per cent of the gross national product each year for 25 years and Soviet Russia would be asked to do the same. Currently, the two per cent would come to \$8 billion. The plan would be administered through the United Nations.

This plan is similar to his proposal for "A Total Peace Offensive" seven years ago. For that he wanted the United States to pledge \$13 billion a year for 100 years, or a total of \$1.3 trillion.

Indicative of Mr. Reuther's concept of his role as a labor leader is his statement:

"The kind of labor movement we want is not committed to a nickel-in-the-pay-envelope philosophy. We are building a labor movement . . . that will remake the world so that the working people will get the benefit of their labor."

This is reflected in his bargaining demands.

Bargaining demands

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WALTER REUTHER continued

automobile industry have been almost continually involved in new bargaining ideas or concepts. Sometimes the idea is Mr. Reuther's; sometimes it is management's, or management's attempt to turn a demand into an acceptable form. Both sides keep large staffs working on answers to new and old problems.

The latest example is Mr. Reuther's proposal for a \$100 cut in 1958 car prices while demanding higher pay.

Another was the wage-increase-with-no-price-increase demand at the end of the war. General Motors, on whom the demand was made, took the position that pricing is a responsibility of management. It was upheld in this view by the National Labor Relations Board.

Some in management feel they can't trust Mr. Reuther; that he doesn't live up to his agreements.

They point particularly to what happened after the five-year agreement was made in 1950. It provided for annual improvement increases and quarterly adjustments for cost-of-living changes. This escalator clause with firm annual increases based on assumed improved productivity, first introduced in the General Motors 1948 contract, was the management's idea for putting wage adjustments on some reasonable basis.

Before the five years were up, Mr. Reuther insisted on, and got, further wage concessions on the ground that he could not foresee the outbreak of Korea. Besides, a labor agreement, he said, is a living document. Earlier, when management wanted some protection against price drops, the UAW leader told them they must take their risks.

In 1955, Mr. Reuther beat the drums for the guaranteed annual wage. Ford Motor Company proposed a plan for supplemental unemployment benefits tied to state unemployment insurance, which was neither a guarantee nor annual. Mr. Reuther accepted it and proclaimed a great victory.

Mr. Reuther's goal next year is a shorter workweek with more take-home money. The demands will be detailed at a special UAW convention in Detroit on Jan. 22 and 23.

In 1953 the UAW leadership condemned a proposal for a 30-hour week as "a communist trick to weaken our might and reduce our standard of living." The convention passed, instead, a resolution asserting that the demand for a 30-hour

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week, less than four years ago, was "unsound, impractical, unrealistic and irresponsible" because of the need for more, not less, goods.

"The most compelling need is not for more leisure but for more goods to satisfy the unfilled needs and wants of millions of workers' families," the resolution stated. "Forty hours' pay for 30 hours' work will not buy more if only 30 hours' output is available."

This last point plus the fact that automobile plants are working an average of more than 41 hours a week—and will likely continue doing so to get the needed production—has led management to suspect that what Mr. Reuther really wants is more pay for his members through payment of time-and-a-half wages for some of the hours under 40.

Another Reuther idea is to get a cost-of-living increase tacked to pensions being paid to some 70,000 retired auto workers.

Reuther tactics

Mr. Reuther is considered a clever strategist and tactician, stubborn, and ruthless. He is a master at using propaganda to gain his objectives. He starts early to condition the public to accept what he is after as just. He is quick to want the government in on everything and to propose a joint or public committee. He is slow to surrender, never admits a mistake. He is personally proud of having been involved in strike violence. He is considered a master at engendering grass-roots support for his ideas.

When he wanted the five-year contracts reopened under his living document theory, the automobile manufacturers suddenly ran into serious trouble over minor issues at plants producing key items on which larger plants were dependent.

The 119-day strike against General Motors was short compared to the strike against Kohler Co., manufacturer of plumbing supplies. The Kohler strike began April 5, 1954, and is still on as far as the union is concerned, although the company says it is producing satisfactorily and holding its position in the industry. Moreover, according to Herbert V. Kohler, president, production per man-hour is better than before and the work is being done with fewer employees.

The Kohler strike has been marked by violence, vandalism and death. A Norwegian ship was prevented from delivering a cargo of English clay. The UAW has used the boycott in an attempt to break Kohler. All over the country, builders are being importuned not to use Kohler products. At least

nine local governments were persuaded to pass resolutions endorsing the boycott, although some were later rescinded.

The Kohler strike has cost UAW more than \$11 million. Emil Mazey, UAW secretary-treasurer, told a meeting of Detroit civic clubs that "if the more than 2,000 Kohler strikers paid dues to the UAW for 250 years, it would not make up for the amount the union has spent at Kohler."

The Indiana National Guard had to be called out to preserve order in a UAW strike against Perfect Circle Corporation two years ago.

As a propagandist, Mr. Reuther is considered adept at espousing popular causes and using phrases which have broad appeal, but often may have little meaning. He always makes management the whipping boy. He frequently criticizes management as being immoral, unjust, using double standards, not understanding social and moral values. He calls for economic abundance and inveighs against the forces of special privilege. He frequently says that a proposal must meet three tests: It must be socially just, morally right, and economically sound.

Reuther in labor

Inside labor, Mr. Reuther, in management's opinion, is the strongest and most influential force.

In his own UAW, he has acquired control and pretty well rid the leadership of any strong opposition. He has replaced old-line trade unionists with intellectuals—expert economists, propagandists, publicists and others who seem to be as much interested in causes as in trade unionism, if not more so.

Mr. Reuther's UAW brain trust is said to include his two brothers, Victor and Roy; Vice President Leonard Woodcock, Economist Nat Weinberg, Assistant Jack Conway, formerly connected with the University of Chicago Roundtable radio broadcast; Guy Nunn, a former Rhodes scholar who handles the TV and the daily radio news broadcasts; Brendan Sexton, education director, and Frank Winn, publicity director.

The chief of the UAW Washington office is Donald E. Montgomery, an economist and former consumer counsel in the U. S. Department of Agriculture.

Legislative representative on Capitol Hill is Paul Sifton, former New York newspaperman, playwright, and ex-government employee. He has been associated with and was a writer for several organizations which have been cited as communist



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WALTER REUTHER

continued

fronts. With his wife he wrote "Death on the Moon," produced on Broadway in 1933.

Building up his staff of specialists, Mr. Reuther recently hired Charles E. Odell as coordinator of activities for retired UAW members and Everett M. Kassalow to work in the union's new Special Projects Department. Both were with the federal government.

Mr. Reuther works continuously at his job and has built a strong, disciplined machine within the UAW which can deliver for him. He is believed strong enough to hold the UAW presidency as long as he wants.

In the AFL-CIO—a merger Mr. Reuther helped foster in 1955 by giving up the CIO presidency and any claim to the AFL-CIO top post—the UAW leader is believed to have gained strength as a result of the drive against labor corruption.

Corruption so far uncovered has hurt unions from the old AFL which have not been friendly to Mr. Reuther. Moreover, management believes Mr. Reuther forced AFL-CIO President George Meany to take a strong stand against labor corruption by donning shining armor and mounting his white horse early to attack it. They feel he is a strong influence on Mr. Meany and is beginning to take over the AFL-CIO.

As head of the AFL-CIO Industrial Union Department, Mr. Reuther heads a subfederation of 72 unions with more than 7 million members—an organization twice as large as the old CIO.

It maintains its own research and publicity staffs and provides Mr. Reuther with a second sounding board for his views.

Opinions differ as to whether Mr. Reuther will be the next AFL-CIO president when the position becomes vacant. There is no feeling that he is trying to push Mr. Meany out.

Some feel Mr. Reuther won't make it because he has too many enemies. Others say Mr. Reuther's ability to maneuver within the labor movement is underestimated.

Reuther in politics

Mr. Reuther is not interested in public office for himself, in management's opinion, although he ran for a seat on the Detroit Common Council in 1937 while a member of the Socialist Party.

Businessmen discount reports of a few years ago that he is ambitious to be President of the United States. They do feel that he would like

to run the Democratic Party and that Michigan offers a preview of what would happen if he did.

Mr. Reuther is very close to Gov. G. Mennen Williams and a strong influence on his policies. He is often consulted on appointments to state posts, and it is inconceivable that the governor would appoint a person who is opposed by the UAW leader.

Governor Williams has put a former UAW organizer on the Michigan Supreme Court. A UAW man is a democratic leader in the state legislature. Many of the Michigan delegates to the Democratic National Convention were UAW men, including Mr. Reuther.

The fact that taxes are higher in Michigan than in other Great Lakes states is regarded as reflecting the Reuther philosophy of high taxes and high wages. Governor Williams' latest proposal: Impose a corporate profits tax on top of the existing business operations tax.

There is also a growing feeling that labor productivity declines proportionately as workers are closer to the union and the union is closer to UAW national headquarters.

Opinions differ as to the precise significance of high taxes and UAW proximity but the fact remains that employment in Michigan dropped 155,000 from June, 1953, to June, 1957. Detroit, Flint, Grand Rapids and Muskegon are suffering substantial unemployment, according to the U. S. Department of Labor.

Some of this is from temporary layoffs due to automobile model changes, but most of it is regarded as a reflection of industry's unwillingness to expand in the state or to move into it. Employment in the automotive parts industry, for example, has been expanding nationally but is dropping in Michigan.

Michigan's troubles could spread to other states where the UAW becomes dominant, and to the country if Mr. Reuther acquires more influence in Washington.

Nationally, Mr. Reuther's influence isn't what he would like it to be.

He hasn't been too influential nationally because he guessed wrong on President Truman in 1948, because Adlai Stevenson lost in 1952 and 1956, and because he gets opposition within the Democratic Party from conservative elements. On the national scene he operates mostly as a vice chairman of Americans for Democratic Action.

Figuring President Truman could not be elected in 1948, Mr. Reuther came out publicly for the Democrats to nominate Associate Justice

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NATION'S BUSINESS
Washington 6, D. C.

William O. Douglas of the Supreme Court. In campaign speeches, after Mr. Truman was nominated, Mr. Reuther concentrated on the election of a Democratic Congress, leaving Mr. Truman to fight his own battle.

Mr. Reuther seemed to favor a third political party when Democratic success seemed slim in 1948, although he now seems more bent on reorganizing the Democratic Party into a so-called liberal party—kicking the conservatives out and bringing in liberal Republicans.

The UAW International Executive Board made its "official political objective the formation after the 1948 elections of a genuine progressive political party."

The new party was to bring together "industrial and white-collar workers, working farmers, small businessmen, professionals and every individual and every group honestly committed to winning economic security and abundance without surrendering fundamental freedoms."

Mr. Reuther does not have much influence in this Congress. His influence on the Eisenhower Administration is even less. Secretary of Labor James P. Mitchell is believed to reflect much of Mr. Reuther's thinking on issues such as Taft-Hartley and welfare fund controls, although he criticized the unionist for supporting the watered-down Senate bill on civil rights.

Mr. Reuther's union is very active in politics. It is currently involved in a test of the Taft-Hartley Act's ban on use of union dues money for political expenditures in federal elections.

The UAW is awaiting trial on charges of expending about \$6,000 for TV broadcasts in support of certain candidates for Congress in 1954.

The United States Supreme Court last March reinstated an indictment which had been dismissed by a federal district judge in Detroit. The judge had acted in the belief that Congress did not intend to restrict expenditures for political broadcasts, and that if it did, it would violate the First Amendment protecting free speech.

The Supreme Court's view is that the UAW expenditures do constitute a law violation, if proved. The Court has not, however, decided the constitutionality of the ban.

Mr. Reuther's greatest ambition, in management's view, is to get a friendly Congress and a man in the White House who will listen to him.

Then he could help reshape the world and run the economy and the country as the power behind the President.

END



If you aren't satisfied, join us

A month ago Josh Simmons came up to me, red in the face and waving his arms, and started to chew out the Chamber of Commerce for "working at the wrong projects and neglecting more important ones."

I soon saw that what he was really angry about was that we were not working at *his* pet project—a very natural reaction.

There was an easy comeback. "If you don't like the way the Chamber operates," I said, "you can do something about it right now. Why don't you join the C. of C. and use your influence to direct its activities toward the projects that *you* consider most important?"

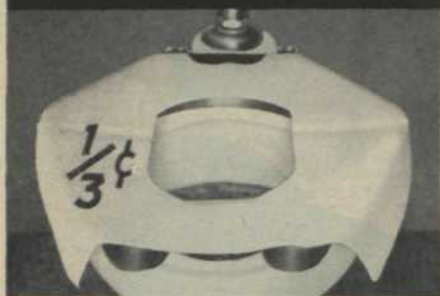
"This is a democracy, you know," I continued, "and one of the best places for a businessman like you to sound off about his favorite enthusiasms is in his local Chamber of Commerce. It gets results."

"So take the plunge. Join us. We need men like you. Work with us to make your ideas prevail. You'll benefit local business and yourself as well."

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For before there was a telephone there was a telephone laboratory.

First it was just two men, Bell and Watson, in an attic workshop. Then the idea grew, as the need grew, and the practical values of research became more and more apparent.

Today there are more than 10,000 people at Bell Telephone Laboratories,

of whom over 3000 are trained scientists and engineers.

Their work covers many fields and goes exploring and developing in many directions. But everything is directed to one goal. It is the betterment of communications service and the finding of ways to provide this better service at the lowest cost to the customer.

The great assets of the Bell Laboratories are the judgment and knowledge that have been gained from years of experience, combined with the enthusiasm of minds versed in the newest scientific knowledge.

There is also the encouragement of initiative through a careful balance of pure research and developmental work. The scientist is given a freedom that is rare in industrial work.

Some of the great achievements of the Bell Laboratories have come in recent years.

The Transistor is a Bell Telephone Laboratories invention. So is the Solar Battery. So, too, are the switching machines that have brought about Direct Distance Dialing. And, again, there was the development of those wonderful amplifiers for the underseas telephone cables.

It all adds up to a great deal of progress. But there is much more to come. All that has been done is but the beginning.

Never have there been so many opportunities for wholly new developments in telephone service and so much well-rounded research behind them.

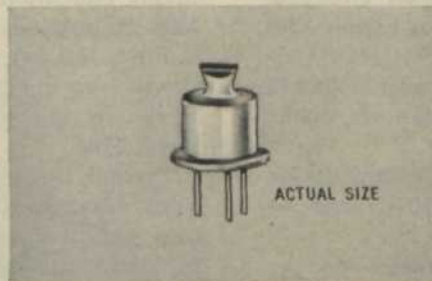
Each day there are excursions off the beaten path, revealing something that has never been seen before.

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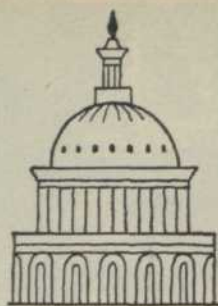
THE TRANSISTOR

One of the break-throughs in science that come only at rare intervals. This mighty mite can do many of the things that an electronic tube can do and more besides!



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Thanks to this new talent, we seldom have to deal with local or even personal emergencies any more. Instead, facing an unusual or untoward happening, we deftly magnify it into such proportions that only the federal government is adequate to cope with it.

The federal government's achievements in reclamation, housing, agriculture and many other fields disprove the efficiency of this system—but not its convenience. Once we have put a federal bureau in charge we assume that the danger has been met. We are then able to relax and go about other pursuits—such as complaining about high income taxes.

At present we are molding two developments into a calamity which, the molders hope, will soon be fit for government action.

The ingredients are these:

By 1970, college enrollment is expected to double. This will put a severe strain on educational facilities already operating at or near capacity.

By 1970 also, business and industry are expected to need double the present number of engineers, managers, scientists and technicians. If this trained manpower is not forthcoming, our technical development may be hampered and Russia may pass us in the race for world leadership.

Our existence as a nation may depend on seeing that every gifted youngster has the means and opportunity to attend a college that has been enlarged, equipped and staffed to provide the finest higher education in all the world.

These goals are reasonable. Gifted students should have the opportunity to learn. If colleges are inadequate they should be improved.

But we need not accept that only federal action now can save us from catastrophe in 1970—and we are asked to believe just that.

A Commission of the National Education Association assures us that "increased federal aid is essential."

Bills are already before Congress for programs of scholarships or student loans.

This kind of hysteria assumes that parents, alumni, corporations which need trained men, and college faculties have less interest in gifted students than the federal government will have. It overlooks work being done by the four-year-old Council for Financial Aid to Education and such activities as Gulf Oil Corporation's new sixfold program to increase grants to colleges and universities—to name only one of a host of companies which already offer help to the gifted.

It overlooks, too, the strange bypaths into which political expediency and cumbersome operation lure federal programs.

If we are to help gifted youngsters would it not be well to set the qualifications so as to include conveniently the children of loyal political workers?

If the national need is for scientists and engineers, what do we do about those whose gifts are for the law, or the arts?

If we are going to regard gifted students as a national resource, should we not make college attendance compulsory even for those who want to go into professional sports or fly airplanes or sing popular songs on television? These are not idle questions. Every government operation has encountered variations of them at one time or another when it attempted to solve directly a problem that people, without intervention, would have solved themselves.

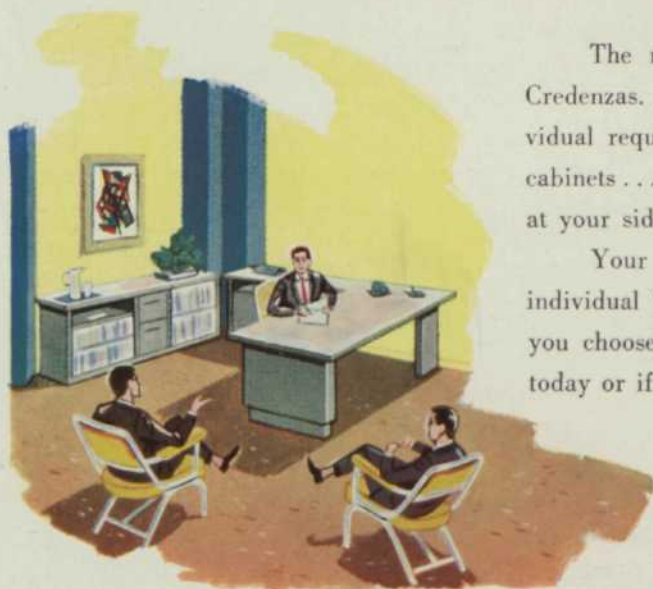
There is room for government action in the field of higher education. It is action which will benefit not only colleges and students, but all other people.

First, the federal government can make plain that it will keep hands off so that those who would normally handle this situation can get about it while there is yet time.

Second, it can reduce taxes on citizens and corporations, leaving with them the money to educate their own children, to train their own employes and to build the kind of colleges their personal interest tells them are needed to do this job as they want it done.



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